S. HRG. 100-523

NOMINATIONS OF MILTON J. HERTZ AND EWEN M. WILSON

HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

FIRST SESSION

ON

THE NOMINATIONS OF MILTON J. HERTZ, OF NORTH DAKOTA, TO BE A MEMBER OF THE BOARD OF DIRECTORS OF THE COMMODITY CREDIT CORPORATION, AND DR. EWEN M. WILSON, OF VIRGINIA, TO BE AN ASSISTANT SECRETARY OF AGRICULTURE, AND TO BE A MEMBER OF THE BOARD OF DIRECTORS OF THE COMMODITY CREDIT CORPORATION

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NOMINATIONS OF MILTON J. HERTZ AND EWEN M. WILSON

TUESDAY, JUNE 30, 1987

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, DC.

The Committee met, pursuant to notice, at 10:10 a.m., in room 332, Russell Senate Office Building, Hon. Patrick J. Leahy (chairman of the committee) presiding.

Present or submitting a statement: Senators Leahy, Conrad, Lugar, Helms, and Bond.

STATEMENT OF HON. PATRICK J. LEAHY, A U.S. SENATOR FROM VERMONT

The CHAIRMAN. I apologize for the delay. The Senate was supposed to vote shortly before 10 o'clock, and because of involvements regarding the Persian Gulf, the Senate leadership is now at the White House, and that has changed the schedule once again. I apologize to the nominees and their families, who are here, and I would tell Riara Wilson that, unlike you in school, Senators sometimes do not know exactly how to tell time. [Laughter.]

I am the reason we are starting late; it is not your mother or father.

We meet today to consider the nomination of Mr. Milton Hertz, Administrator of the Agricultural Stabilization and Conservation Service, to be a member of the Board of Directors of the Commodity Credit Corporation, and to consider the nomination of Dr. Ewen Wilson, Deputy Assistant Secretary for Economics, Office of the Secretary, Department of Agriculture, to the position of Assistant Secretary of Agriculture, and to be a member of the Board of Directors of the Commodity Credit Corporation.

On behalf of the committee let me welcome Mr. Hertz and Dr. Wilson to this nomination hearing. I take very seriously the rule of the committee in the confirmation process. It is a key element of the Senate's important responsibility to advise and consent with respect to nominees of the executive branch. The Senate has a constitutional duty to advise and consent, and the committees sometimes do not undertake this duty in quite the way I feel they should.

The committee has important functions in this process. First and foremost, we must pass on the competency and integrity of the nominees. We will not merely rubber stamp any nominees for the Department of Agriculture simply because only 18 months remain in this administration. We must be assured that nominees are the

best available and that they will faithfully and honestly execute the intent of Congress.

A second role is equally important. We must elicit the views of the nominees on policy matters and on the responsibilities of their new positions. The responses of the nominees on these issues are essential in setting benchmarks for future oversight.

The positions for which both Dr. Wilson and Mr. Hertz are being considered play key roles in the formulation of America's agricultural policies. Our farmers deserve the best persons available for these jobs.

The Economic Research Service, the National Agricultural Statistics Service and the World Agricultural Outlook Board, under the Assistant Secretary of Agriculture for Economics provide important analytical studies and data of great value to decisionmakers. The Commodity Credit Corporation, operating through its Board, has a wide array of powers which impact on virtually every facet of agriculture throughout the Nation.

Before beginning, last Friday I received a report from the GAO stating that of the outstanding loans to foreign countries of $14 billion, their estimate of losses is a range between $4 and $7 billion. That is a shocking figure.

There has been severe criticism of our private banks for shoveling out petrodollars to developing countries, who now are staggering under an enormous debt burden. We have to ask has the U.S. Government also been contributing to the international debt problem—which now has contributed to a crisis in our international relations with many Third World countries? I would hope to get some answers during this hearing.

I yield to the distinguished ranking member, Senator Lugar.

STATEMENT OF HON. RICHARD G. LUGAR, A U.S. SENATOR FROM INDIANA

Senator LUGAR. Mr. Chairman, I thank you. I join your welcome of Mr. Hertz and Dr. Wilson to this hearing, and I share your concern that our hearing be thorough and fair. I am certain that it will be, and I look forward to hearing the witnesses.

The CHAIRMAN. Thank you. Senator Burdick was here earlier to introduce Mr. Hertz. He spoke to me outside, and we had changed the times by then. He told me of his support for Mr. Hertz, and he is now unable to come back.

Senator Conrad of North Dakota is here.

Mr. Hertz, why don't you come up to the table.

Before we swear in Mr. Hertz, I yield to Senator Conrad for an introduction and the prepared statement of Senator Helms is received for the record.

PREPARED STATEMENT OF HON. JESSE HELMS, A U.S. SENATOR FROM NORTH CAROLINA

NOMINATIONS OF EWEN WILSON AND MILTON HERTZ, JUNE 30, 1987

Mr. Chairman, I appreciate the opportunity to express my support for Ewen Wilson for Assistant Secretary of Agriculture and member of the Board of Directors of the Commodity Credit Corporation and Milton Hertz for member of the Board of Directors for the Commodity Credit Corporation. Both men are exceptionally qualified as their past accomplishments indicate.

Mr. Wilson earned his doctorate at North Carolina State University, and his work in the private sector prior to his coming to the Department of Agriculture has provided him with the necessary background and experience. He has served as Acting Assistant Secretary for Economics since March 1, 1987, and as Deputy Secretary since June 1985. I am confident that he will do an excellent job as Assistant Secretary.

Mr. Hertz has done an outstanding job as Administrator of the Agricultural Stabilization and Conservation Service [ASCS], and I would like to express my full support for Mr. Hertz and Mr. Wilson to be members of the Board of Directors of the Commodity Credit Corporation.

STATEMENT OF HON. KENT CONRAD, A U.S. SENATOR FROM NORTH DAKOTA

Senator CONRAD. Thank you, Mr. Chairman; and welcome, Milt. It is good to have one of North Dakota's own being given this kind of honor. The appointment to the Board of Directors of the CCC certainly is an honor. I want to commend Milt Hertz to the other members of the committee.

I have known Milt Hertz for a goodly number of years. He was on the Board of Higher Education in the State of North Dakota, appointed by a Democratic Governor. Now he has been brought into national service by a Republican President. I think that says something about the esteem in which Milton Hertz is held; and that is true across the spectrum in the State of North Dakota.

Look at his background, from 1969, from being a national outstanding farmer, award winner, through his public service in the State of North Dakota, and his most recent service as the Administrator of the ASCS. He has done our State proud. We are proud of him and we would be pleased to see him serve in the position to which he has been nominated.

My only interaction with Milt Hertz in the 6 months that I have been a U.S. Senator has been productive. He has been responsive, and that is the most that you can ask of a public servant. Obviously, we are not always going to agree on policy matters. That, too, is part of what you expect from a public servant; but there is no one more faithful and more serious about carrying out his public responsibilities. For that reason, I am happy to strongly endorse his candidacy.

I thank the chairman for this time.

TESTIMONY OF MILTON J. HERTZ, ADMINISTRATOR, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE, U.S. DEPARTMENT OF AGRICULTURE

The CHAIRMAN. Thank you very much.

Mr. Hertz, would you please stand and raise your right hand.

Do you swear that the testimony you will give before this committee is the whole truth and nothing but the truth, so help you God?

Mr. HERTZ. I do.

The CHAIRMAN. Mr. Hertz, I understand that your wife, Carol is here.

Mr. HERTZ. Yes, she is.

The CHAIRMAN. Could you please stand? We want to welcome you, and thank you very much for coming.

Mrs. HERTZ. Thank you.

The CHAIRMAN. Mr. Hertz, if your nomination is approved by the committee and confirmed by the Senate, do you promise to respond to requests to appear and testify before this committee and any other duly constituted committee of the Senate?

Mr. HERTZ. Yes.

The CHAIRMAN. If you are confirmed by the Senate, will you faithfully execute the laws passed by Congress regardless of any prior statements you have made or biases you may have held?

Mr. HERTZ. Yes.

The CHAIRMAN. I would like to talk to you about the handling of the CCC stocks. During last year's harvest we had a lot of grain put on the ground, and we are getting some conflicting testimony now from witnesses as to whether or not that grain is still in temporary storage facilities. Corn stocks at the end of this marketing year are expected to exceed the 1985 crop stocks by over 1 billion bushels. What are we going to do with all that?

Mr. HERTZ. Well, we——

The CHAIRMAN. I thought we would start with the easy questions first. [Laughter.]

Mr. HERTZ. You are absolutely right, we have a tremendous amount of feed grains; corn, principally, in our inventory, farmer held in reserve and in the 9-month loan program. Now if we compare where we were a year ago, and the problems that we perceived at that time, when moving commodities so that we could take on a new crop, so that we could take care of the then-expiring 9-month loans, we feel that we are in much, much better condition this year.

I think there are two reasons that have helped that. One is that there was some new storage built out there, in permanent-type storage and also in the temporary storage; and I also feel that with the use of the commodity certificate, we have caused grain to flow into different areas that probably it normally would not have, and the principal growing areas where we will have the greatest problems we feel we are in pretty good shape this year.

The CHAIRMAN. But with or without the new storage, we have to go about reducing these huge stocks, do we not?

Mr. HERTZ. Well, the projections are, as we try to control, if you will, the amount of carryout stocks, we went the maximum of a 20 percent acreage reduction and then had a 15 percent paid diversion in the feed grain program; idled several more acres and I think the effort that we are trying to be more competitive in the export market is where we will really have to make the big dent, in the inventories that we have.

The CHAIRMAN. What about the use of certificates? Some people come here and criticize certificates, and suggest that the CCC is setting the price of commodities across the country.

Do you plan to make final deficiency payments in certificates?

Mr. HERTZ. We have not made that final decision, but certainly it is one of our options, that we could pay, let's say, up to one-half of the $3 billion that will be due on the final feed grain deficiencies, October 1.

The CHAIRMAN. Would that not depress prices?

Mr. HERTZ. We have been trying to, in the use of the certificate, not flood the market and yet have enough certificates there that

they can work as a vehicle to move grain at market prices rather than at the loan rates; and in some cases we find that the premium on the certificate starts going up and it indicates that maybe at that point in time there is a particular advantage in using a certificate; and yes, with the more grain that it would force onto the market, it would have the tendency to have a depression on prices.

The CHAIRMAN. What about the management of the certificate program. Is that a manageable program, or do you see some problems there?

Mr. HERTZ. Well, about the only problem we have had—I guess there are probably two problems in that, it being a totally new vehicle, if you will, for farmers to receive payments, we gave them an expiration date; and some farmers are trapped with not using them by the time their expiration date arrived. We did give some extensions on that.

The only other problem is that we—I shouldn't say the only other problem—the other major problem is we did have a counterfeiting effort in Oklahoma a few months ago, and since then we have worked with Treasury and changed the paper and printing mechanisms, and I believe that we have taken care of that.

The CHAIRMAN. Who investigates that? Is that the Secret Service?

Mr. HERTZ. Yes.

The CHAIRMAN. Have they been making arrests?

Mr. HERTZ. Yes, they did arrest two ASCS employees. One was a county office manager and another was a district director.

The CHAIRMAN. Are they being prosecuted?

Mr. HERTZ. I don't know what the status of the case is, but I know that they were charged with illegal acts.

The CHAIRMAN. When is the wheat program announcement supposed to be issued?

Mr. HERTZ. The initial announcement for the wheat program on the amount of set-aside acres was to have been announced June 1.

The CHAIRMAN. But it was not?

Mr. HERTZ. It was not.

The CHAIRMAN. Why?

Mr. HERTZ. The ASCS and its recommendations, through the Under Secretary and to the Secretary, recommended a 27½ percent reduction in acreage for 1988. Our friends at OMB have suggested that a 30 percent reduction would be less cost overall, and we are at loggerheads with that agency at this point.

The CHAIRMAN. Will you speak with your friends at OMB, just as we communicate on the floor of the Senate when two Senators diametrically opposed go at it hammer and tong and always refer to each other as "my very distinguished colleague."

Mr. HERTZ. Well, we refer to them as our friends.

The CHAIRMAN. I understand. I wish that could get straightened out, because I think it puts an unnecessary element of uncertainty into the planning process of farmers. I think it is going to impact adversely on farmers' income. I mean, the man and woman out there running a farm have got to make their plans and they cannot understand what is happening in Washington; they feel they have no control over what is happening in these big marble buildings, and they just want to get the word.

They think, well, June 1 we are supposed to get the wheat program announcement, and then we will make a decision on where we will go. I hope that you send the word back to OMB very strongly that they do nothing for the people that we are all supposed to be serving, and for both the elected and unelected government in not keeping to those dates. It is unfortunate, because my paycheck will not change, your paycheck will not change during that time, but an awful lot of people could be hurt.

So please keep pushing them; let's see if we can get that straightened out.

Mr. HERTZ. OK.

Senator LUGAR. Mr. Hertz, from the background information that was given to the committee, you are the owner of a substantial farming operation. Could you describe the nature of that operation and the extent of your holdings prior to seeking this nomination and this hearing? What is the extent of what you have got there?

Mr. HERTZ. Well, Senator Lugar, prior to my coming into the ASCS in Washington, in 1983 we made the decision at that time to restructure our farm operation; and to the extent that at this point in time my farm ownings are quite small, and the major portion of the farm is now owned and operated by our son.

Senator LUGAR. Did the restructuring change the ownership of the property?

Mr. HERTZ. Yes.

Senator LUGAR. And this occurred in 1983——

Mr. HERTZ. In 1983, 1984, and 1985.

Senator LUGAR. So you have made no further changes with regard to this current assignment?

Mr. HERTZ. Senator, I came in as a Deputy Administrator, I was the vice president in the Commodity Credit Corporation, and at that point in time I was directly involved with the State and county offices, and directly involved with writing the policy, the regulation policy notices with the several commodity programs; and it was determined by our ethics officer, the attorneys at USDA, that I would have to divest myself of any involvement to the extent of making decisions that might affect how I might use a farm program.

So since I have been in Washington, I have not participated in any farm programs. The land that we do continue to own is leased to other farmers on a cash rent lease, nonfamily members, and the farm headquarters, the grain elevator and that operation, is leased to our son and he uses it as a part of his operation.

Senator LUGAR. It would occur to me that you have been very sensitive to these factors, and working with counsel as well as your own sense of what is correct in this, and I admire this. For the benefit of the hearing record, I wanted to bring forward these points, because the responsibility that you have to the whole Nation, quite apart from your local county or your State, is considerable.

I simply want you to affirm that you have tried to take into consideration every potential way that your public responsibility might intersect with your private one, and recuse yourself from any difficulties.

Mr. HERTZ. Yes, in fact I have signed a statement and given it to my associate and to my deputies that any matters arising with the ASCS in my home county, that I recuse myself completely from them.

Senator LUGAR. Very well. You have a small amount of land. Does the bulk of your income come from the agricultural holdings in one form or another at this point?

Mr. HERTZ. Yes. It comes in the form of a cash rent.

Senator LUGAR. I see. Cash rent?

Mr. HERTZ. Yes.

Senator LUGAR. And your son is operating it?

Mr. HERTZ. Well, my son is operating, is paying me for the use of the physical facilities, and the small acreage of land where these buildings are located. The other land is leased to farmers that are not related.

Senator LUGAR. Very well. I think that Senator Leahy has raised questions that all of us would want to know with regard to your prognosis for the CCC, the very grave problems that are faced there. I will not be repetitious, but I appreciate your forthcoming responses to these questions on the ethical problems.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Lugar.

Senator Conrad.

Senator CONRAD. Milt, I am informed the USDA has lowered the loan rates by more than the 5 percent statutory amount in North Dakota, and I am told that USDA's reason is to tie a loan rate to local market prices or the posted county price. But since both are affected by the use of certificates, do you think it is fair that North Dakota loan rates be reduced by more than the statutory limit?

Mr. HERTZ. Well, Senator, I don't believe that there is a statutory limit on which the loan rates can change. The 5 percent that you refer to--well, let me go back and suggest that over time the loan rates have been not really changed to reflect any kind of market condition anyplace in the country.

And with the use of the commodity certificate in establishing a posted price in each county, a market price, this should reflect the local market in that county; there should be some relationship between that price and the loan rate.

We found that in areas such as our State, in the western part of the State, where the basis is very wide, it is probably the worst place in the United States to ship grain from, that our posted county prices were far below what the loan rates were; and with that comparison, we wanted to bring that gap, bring the loan rate to be more reflective of what the market price is.

And to keep that impact from going all the way to the posted price, as we have constructed these loan rates, we held it to a 5 percent change, for 1987.

Senator CONRAD. Well, let me back up then and ask it a little different way. If I am hearing you correctly, we have a different loan rate in parts of the State, in parts of the country, than elsewhere?

Mr. HERTZ. Yes.

Senator CONRAD. Is that correct?

Mr. HERTZ. That is correct.

Senator CONRAD. Has that ever been the case before?

Mr. HERTZ. Yes. The calculation of the loan rate, using the old formula, which we blended in when we calculate them now, too, was to weight the loan rate to a national average. If there is a county that is, bordering on the Illinois River with a barge terminal and a fast barge load out, their basis would be virtually nothing; and the loan rate would be much, much higher than a county that would be inland and maybe only have truck service. That makes as much as 50 to 60 cents a bushel difference.

We feel that if the loan rates are going to be reflective of the market, that they, too, should reflect that.

Senator CONRAD. For how long have we had those kinds of discriminations in pricing?

Mr. HERTZ. Well, in the establishment of the loan rates, we have always recognized those counties that are closer to a terminal market or to a port facility, have always had a higher loan rate than those that are locked in the interior.

Senator CONRAD. Let's go back to this question of the 5 percent. Is it not in the statutes that this year you could have a 5 percent reduction?

Mr. HERTZ. I am not aware of that, Senator. When we used the 5 percent figure, we felt that that would be a limiting factor that would create less of an impact and the extreme change of a loan rate as reflected by the market price.

One of the reasons we did that, to hold it down to that number, is that we have had experience with loan rates for many, many years, whereas with the county posted prices and the terminal markets we used to establish those prices, we had relatively little experience, less than 2 years now.

So we feel, as we build up the experience and the data in establishing those posted prices, that they may reflect closer to the market, or maybe we don't have to change it that much.

Senator CONRAD. Where did the 5 percent come from, if that is not statutory?

Mr. HERTZ. It was an arbitrary number that we used to say that we won't let the loan rate change, either go up or go down, more than 5 percent.

Senator CONRAD. But in fact in North Dakota, it has gone down 8 percent, I am told.

Mr. HERTZ. Well, if you look at the—the Secretary used his discretionary authority to lower the loan rates on a national average by 12 cents, right off the top. From that figure we said that—well, as an example, in 1986, the national average was $2.40 in wheat. The Secretary used his authority to lower that to $2.28 for 1987. Then in our calculations, we said that a loan rate could not drop more than 5 percent of $2.28.

Senator CONRAD. But if we back up, we had 5 percent reduction nationally, an average?

Mr. HERTZ. Yes. That 5 percent, he could use that to reduce the loan rate. Yes.

Senator CONRAD. And my understanding was, whether it was statutory or not, that the 5 percent was to be the limit. Five percent was to be the limit; and yet in North Dakota and Montana, we have got an 8 percent drop. Somehow that strikes me as unfair,

and frankly misleading to people. I mean, when I am out at town hall meetings in North Dakota, just back again recently, they are asking me, "How can this be?" "Why the difference?" "We were told it was going to be 5 percent, and it's 8 percent. How do you explain this?" You could even tell me how I could explain that to them.

Mr. HERTZ. Well, first of all, let me apologize for not recognizing your comments on the 5 percent in the statute. That, the Secretary did have that authority and did lower 5 percent overall in the national average.

The other 3 percent that you are referring to was our judgment that the loan rates, compared to market prices in many counties in this country were far, far apart. And it was our judgment that if the loan rate is to—the original intent of the loan rate is to be reflective of market prices, not to be something out there all by itself, that we should make an effort to close that gap.

Senator CONRAD. Under what authority did the Secretary make—again, let me understand this. Are you telling me now that the 5 percent authority is in fact statutory?

Mr. HERTZ. Yes. The reduction that the Secretary made, from $2.40 down to $2.28 would be——

Senator CONRAD. Is the 5 percent.

Mr. HERTZ. He has the authority to do that.

Senator CONRAD. He has statutory authority to do that?

Mr. HERTZ. Yes.

Senator CONRAD. Then I would ask under what authority did he reduce it in North Dakota, to 8 percent instead of 5 percent?

Mr. HERTZ. Well, from $2.28 on down, I don't think, there should not be any that went any more than 5 percent; that would be the maximum, and it could average out to about 3 percent, that would make the 8. That was an administrative decision that caused those changes in the loan rates.

Senator CONRAD. And where resides the statutory authority for the head of USDA to make that decision?

Mr. HERTZ. I believe that it resides within the authority of the ASCS, in that ASCS shall each year adjust to a weighted average, loan rates to a national average. And in the cases where loan rates went down, counties also went up.

Senator CONRAD. Well, you can understand better than most I think why there is some strong feeling out there that North Dakota has been treated unfairly. I mean, there is a strong feeling that we have been given more of a jab than others have been given. There is some real hard feeling, I would say, developing and a lack of understanding as to how this happened. The understanding was that there was going to be a 5-percent reduction; but North Dakota and parts of Montana get 8 percent.

Mr. HERTZ. Well, Senator Conrad, I would make this comment, that those counties that have the lowest posted county price, which would be the biggest gap between that and the loan rate, were the happiest people in the world in using the certificate. We didn't hear one single word from them.

And now when we think that if they are going to have the local market price reflective of the value of that grain, and continue to

have an extremely high loan rate, I don't think we can say they can have it both ways.

Senator CONRAD. Well, I do not think many people would call this an extremely high loan rate. Would you? Most people would say it is a very low loan rate, in relationship to the loan rates that prevailed a year ago or 2 years ago.

Mr. HERTZ. In relationship to the local market prices, I would say that they are, in some cases they have been too high. In your comments, compared to previous farm bills, yes; they are much lower.

Senator CONRAD. Thank you. I just want to make sure that that message gets back. There is discontent out there, on this differential.

Mr. HERTZ. I understand.

The CHAIRMAN. Thank you.

Senator Bond.

Senator BOND. Thank you, Mr. Chairman.

Mr. Hertz, I will begin by thanking you for the assistance you provided to Missouri farmers on haying and grazing recently, which was very important to us and very important to farmers in Missouri. I apologize for the fact that I was not here earlier when questions were asked of you, and I apologize that some of my questions may take you back over ground that you have already covered, but I would be interested to hear whether you had any changes or adjustments that you would propose as a new member of the Board of Directors of the CCC?

Mr. HERTZ. Senator Bond, I believe that the responsibilities as an officer of the CCC are almost entirely driven by the laws of the farm bill and the provisions that are encompassed within that piece of legislation. There are policy decisions that are made by the Board along the way as to how we will use funds in the CCC, especially in our programs that we assist in providing commodities for export to underprivileged countries.

I foresee no real change in the way CCC will operate. In fact, I have been acting as the, have been the executive vice president for about 1 year and 6 months now, and the only difference has been, I have not been able to vote at the meetings.

Senator BOND. What do you see as the long term role of the CCC, the farm bill looks toward reducing loan rates and target prices. The administration has indicated its goal is to move to a free, fair, unsubsidized world market in agricultural commodities. We are not sure how quickly or how long that will take. What role do you see for the CCC when that halcyon day is reached?

Mr. HERTZ. I think the future of the CCC will continue, although probably not nearly as involved as it might be now in farm programs and in management of inventories, but we have several pieces of legislation that we say we have to have security or disaster reserves held on hand; and I would see that the Commodity Credit Corporation would continue to be the manager of those inventories. I would see the Commodity Credit Corporation continue to be involved in being the commodity resource for those programs in which we provide commodities to other agencies or donations for activities both domestic and foreign.

Senator BOND. All right. Thank you Mr. Hertz.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Lugar.

Senator LUGAR. I have no questions.

The CHAIRMAN. Senator Conrad.

Senator CONRAD. Milt, you know we have had some problems on swampbuster, and we go back to your role at ASCS. Can you just give us quickly what the status of those counties are that have had problems with swampbuster, had previous plans in place?

Mr. HERTZ. Well, Senator Conrad, first of all let me say that the final rule is in its final stages. It is not going to include a lot of change from the interim rule, a little bit of a refinement here and there, and as far as the Department is concerned, myself and four other Agency Administrators have signed off on position papers that would become part of the final rule, so it is pretty well set to go.

We still have some concern on the part of the Fish and Wildlife Service and some of our environmental friends, but I think we are going to get those worked out.

As it would relate to the counties that seemed at one point in time to have problems in determination, and I think the word that you're referring to is the commence word, as it relates to several counties in North Dakota. We feel that we have a list of criteria that if the counties or the watershed projects, if you will, or the individual farmers will meet those criteria; they in fact have commenced their projects and can go ahead.

Based on those determinations, I think at least one of the watershed projects in North Dakota is now progressing and is under construction. If the other counties there meet those similar requirements, I would foresee no problems for them, either.

Senator CONRAD. Those criteria, just to share it with us, are that—well, maybe you can put it in your own words. What are the critical criteria that allowed the one project to go ahead?

Mr. HERTZ. Well, in that particular case, there were plans that were developed over time; it was a defined area that the individual members in that defined area voted to assess themselves and generate operating funds that would be used for construction of a drainage.

Senator CONRAD. So that was a critically important factor? There had been an assessment?

Mr. HERTZ. Yes. And within the plan itself, we made the determination that would suggest that anything that is not part of a plan would not be commenced. In a couple of those projects, we determined that by the nature of exclusion of certain areas, we determined that those excluded areas were determined. It would suggest then that the other areas were a part of the commenced plan.

Senator CONRAD. Let me just ask one final question, very quickly. The CCC has run out of money, and hopefully we will pass the supplemental that is coming out of the conference committee this week; can you tell us how quickly checks can be in the mail to those farmers that are owed money and those elevators that are owed money?

Mr. HERTZ. I believe that we would have checks in the mail the same day that we knew that we had the funds there. In many cases, the county offices have the checks already printed, and they

are sitting there in the farmer's folder waiting to go, pending funding to cover them.

Senator CONRAD. Well, we appreciate very much that efficiency.

The CHAIRMAN. So do the farmers in my State.

Thank you very much. I have a number of other questions, but I will submit those for the record.

[Questions with subsequent response from Mr. Hertz can be found on pages 22–42.]

Mr. HERTZ. Thank you, Mr. Chairman.

TESTIMONY OF DR. EWEN M. WILSON, ECONOMICS, DEPUTY ASSISTANT SECRETARY, U.S. DEPARTMENT OF AGRICULTURE

The CHAIRMAN. Dr. Wilson, will you please come forward.

Raise your right hand. Do you swear that the testimony you will give before this committee is the whole truth and nothing but the truth, so help you God?

Dr. WILSON. I do.

The CHAIRMAN. Please be seated. We have already briefly met your daughter, and would you introduce the rest of your family who are here, Dr. Wilson.

Dr. WILSON. I am delighted to introduce my wife, Kay.

The CHAIRMAN. Mrs. Wilson, we are delighted to have you here.

Dr. WILSON. And some family friends.

The CHAIRMAN. Very good.

I understand you have three daughters.

Dr. WILSON. I have three daughters, Senator, yes.

The CHAIRMAN. And this is the youngest?

Dr. WILSON. Yes, Riara is the youngest. The eldest is a junior in high school and in a summer program at VPI.

The CHAIRMAN. Very good. I will go through some of the usual questions. If your nomination is approved by the committee and confirmed by the Senate, do you promise to respond to requests to appear and testify before this committee and any other duly constituted committee of the Senate?

Dr. WILSON. I do.

The CHAIRMAN. If you are confirmed by the Senate, will you faithfully execute the laws passed by Congress regardless of any prior statements you have made or biases you may have held?

Dr. WILSON. Yes, I do.

The CHAIRMAN. Now, we will look at the original background memo we sent you and the questionnaire. In the original response to the questionnaire from the committee, you neglected to inform the committee of your service in the Rhodesian Air Force during the civil war in that country.

Why did you not include that information in the original questionnaire?

Dr. WILSON. That question asked if I had any military service. I said, "none in the United States," not being aware that the question referred to all military service.

The CHAIRMAN. The question is very clear. It says any military service. It doesn't speak of the U.S.A. I raise that because I don't think anybody could find that misleading. I served on another committee last year where we often had Mr. Abrams testify. He is the

Assistant Secretary for Inter-American Affairs, Bureau of Inter-American Affairs, of the State Department. Of course unless we asked him a question 42 different ways, we could not get a clear answer from him, and even then sometimes not. I want to make sure you are not going to fall under the same category.

Dr. WILSON. I had nothing to hide, Senator. It was an inadvertent omission, a misunderstanding, perhaps. I certainly had nothing to hide.

The CHAIRMAN. Feel free in answering other questions from the committee to go overboard rather than under; notwithstanding a New England penchant for terse answers, the committee likes to have it in as much detail as possible.

I understand that you have undertaken efforts recently to increase the interaction between agribusiness firms and the Economic Research Service in the Department.

I want to be sure that there is no potential for conflict of interest or other abuses in that process. I understand that in April 1986 you, along with several USDA employees' held a private briefing at the request of a major commodity brokerage firm and its clients in New York at Government expense. Is this a common practice.

Dr. WILSON. One of the responsibilities of the Economic Research Service is to conduct commodity analysis. I think, in order to be effective at doing that, it is important for those involved to work with people in the trade. That means brokerage houses and others who are involved in that business outside of Government.

The CHAIRMAN. But you would make similar briefings available for farm groups?

Dr. WILSON. For farm groups, I certainly would.

The CHAIRMAN. Have you?

Dr. WILSON. We have set up some regional outlook briefings and invited as many people as we could.

The CHAIRMAN. How do you make sure that nonpublic information is not disclosed at these private briefings?

Dr. WILSON. In most instances——

The CHAIRMAN. In other words, how are you avoiding the impression that our researchers are giving those people in agribusiness, at public expense, some commercial edge, that they wouldn't have had otherwise?

Dr. WILSON. We are sensitive to concerns about that. I have found that in most instances, people in agribusiness are well ahead of government analysts. One of the reasons for trying to establish these working relationships with people in private enterprise is to try to improve our record.

The CHAIRMAN. I think you want to make sure that you get the impression out, too, to the various farm groups that they have the same kind of access.

Dr. WILSON. Absolutely. I would agree with that, Senator.

The CHAIRMAN. It is frequently said the CCC Board acts as a rubber stamp, ratifying decisions already made at a higher level. I would be interested in your views on that. Is the CCC Board there to ratify decisions already made, or can it be independent?

Dr. WILSON. This is going to be a new responsibility for me, serving on the CCC Board, and initially I will be there to learn. I would hope that they respect my views on policy matters.

The CHAIRMAN. The USDA's Economic Research Service said that ethanol production is of questionable overall economic merit, usually requiring more energy to produce it than it offsets.

I know the Vice President, after he was out in Iowa, asked USDA to look at the ethanol issue again to get a more favorable analysis. Will it be a fair analysis?

Dr. WILSON. I would hope so, but the study——

The CHAIRMAN. Well, won't you have some responsibility to make sure that it is fair?

Dr. WILSON. Certainly. Our office will be responsible for the content of that study when it is completed, just as our office was responsible for the earlier study. That study, as you say, did indicate that the economics of ethanol production is marginal; it suggested that ethanol production would only take place with some type of Federal subsidies.

There has been criticism that some of the data used in that initial study looked at average costs of ethanol production plants. One of the things we will be doing in the new study is to seek out the most efficient plants in the industry. We will look at the state-of-the-art technology, so to speak. I suspect by looking at the more efficient plants, we might be able to paint a slightly brighter picture; but I have no preconceived notions of whether we will show ethanol to be economically viable or not at this point.

The CHAIRMAN. In the 1973 article in the South African Journal of Economics, you spoke to many of the positive aspects of the gold standard. Do you favor returning to a gold standard?

Dr. WILSON. I don't think I do, Mr. Chairman. The gold standard imposes a very, very rigid discipline. If we hadn't had Mr. Greenspan nominated to replace Mr. Volcker—if we had someone who believed in the printing press—then at that point I would be in favor of a gold standard. I have enough confidence in Mr. Greenspan, however, that he will exercise the type of restraint—monetary restraint—that we don't really need a gold standard today.

The CHAIRMAN. You also wrote an article entitled, "The Rhodesian Constitution and Predictions for Political Stability," in the fall 1973 edition of the periodical, "Public Choice." Your lead sentence is, I am told, "The late Dean Acheson once observed the one-man-one-vote deduction from the 14th amendment is not recognized international law."

Were you saying that former Secretary Acheson's statement could be read as condoning Rhodesia's refusal to enfranchise blacks during the period of the unilateral declaration of independence?

Dr. WILSON. No. That paper was written a long time ago, Senator. My recollection is that comment focused on the reality of Africa in the decades of the 1960's and the 1970's where we saw many countries coming to independence, holding elections, having one-man-one-vote. Many of those countries now have moved away from the type of democratic system that we have in this country, and they have moved toward one-party dictatorships.

So I think the comment probably reflected the fact that in Africa there were many one-party states at the time of writing.

The CHAIRMAN. You refer to those blacks who were seeking majority rule as extreme. How so?

Dr. WILSON. At that stage, Rhodesia was beset by terrorist incidents; people were coming in and putting land mines on roads in remote farming areas, and planting bombs in what was the capital city, Salisbury. A lot of people were being killed.

The CHAIRMAN. The only reason I raise these questions and a few others about your feelings about Rhodesia and what went on there—I mean, you are perfectly free to take any position you want; that really does not concern this committee. If you were before Senator Lugar's Foreign Relations Committee for a position in the Department of State it might have more relevance.

My only concern in raising the issue is that it raises a number of questions in my mind of your reaction toward the black majority of Rhodesia. We have an awful lot of black farmers in the United States, very much in the minority, who are usually small farmers with a lot of the problems that small farmers have throughout the country. You will be on the Board that has a lot of impact on them. You will be doing analyses, and I would recommend and suggest that you make doubly sure there is nothing in what you say or do there that would suggest anything but total impartiality toward all our farmers, black or white.

Dr. WILSON. I believe this position does have a responsibility to all the people, and I would do my best to uphold that responsibility.

The CHAIRMAN. Thank you.

Senator Lugar.

Senator LUGAR. Thank you, Mr. Chairman.

Dr. Wilson, you have obviously studied for many years in the United States and spent 8 years with the American Meat Institute. Could you offer some reassuring comments about your acquaintance with the totality of American agriculture?

Obviously you have studied during some portions of your life in other countries, and acquired knowledge of agricultural economics in the world situation that would be helpful, I am certain, in your current service. But, have you traveled extensively throughout the United States and are you well acquainted with the corn farmers, for example, or soybean farmers? People who are involved in all the various crops who come before us as producers.

Dr. WILSON. Senator, I view myself as a farmboy at heart. I was born on a farm, not in this country—but in Kenya, East Africa. I have spent my entire life in agriculture, and as you indicate, have studied at two land-grant institutions in this country. I worked with the Cooperative Extension Service in Virginia for 3 years as an extension specialist and traveled extensively within the State during that time.

When I was with the American Meat Institute, I traveled to most of the 50 States. AMI has members in all States, and I went out and met many of those members and, to that extent, got to know that part of the business fairly well while getting to know this great country fairly well. And I do not feel like a stranger to American agriculture, even though I might speak with a funny voice.

The CHAIRMAN. I might hasten to add that, listening to the accents around this table, nobody would accuse you of that at all. [Laughter.]

Senator LUGAR. That is a point very well taken.

I gather from your articles that your general orientation as an economist is very much market oriented.

Dr. WILSON. That is right, Senator, I do believe in the power of the marketplace. In fact, I would go so far as to say that I believe that if you try and thwart the normal operation of the market that—while perhaps not in the short run, but in the long run—you will be doomed to failure. It is very difficult to overpower market forces.

Senator LUGAR. You have come to this position at a time when the current major farm legislation is working its way through a more or less 5-year program. The thrust of that program in the fourth and fifth years, one of declining target prices in some commodities, reflects clearly that the Congress and the administration intended on moving toward the marketplace. In this context what is your general orientation with regard to things that may be occurring elsewhere in the world?

For example, I have had the privilege in the last 4 days of visiting with Mrs. Thatcher and Mr. Kohl, both of whom believe that in Europe the amount of money being spent by the EC cannot be sustained, and both have pledged to go against the oil fats tax on the basis that this might increase subsidies, at least to the German farmers.

But the failure to raise the revenues is likely to produce a very, very tough squeeze; and the current meeting which these leaders are still engaged with today, may at some point down the line lead to marked changes in European subsidies, which they feel would be good.

Is the general way in which we will be able to work with that program through the GATT? In the event that Europeans should decide to reduce their subsidies very substantially, along with the general thrust of Australia or the Montevideo group, what would we be prepared to do in the United States in response to move toward a more subsidy-free agriculture?

Dr. WILSON. Next week USDA's Under Secretary Amstutz and the Deputy Trade Representative will put our proposals on the table at the GATT round. I would only say that our 1985 legislation—the Food Security Act of 1985—in my view has been quite an effective lever in creating the right climate in the world for some serious negotiations on agricultural trade.

We have, through our pricing policy, helped by the decline in the value of the dollar, imposed a very different environment on world trade in agricultural products. That is costing the Europeans an enormous amount, and as you say, the Ministers are meeting in Europe today to try and figure out how to meet significant budget shortfalls in the European Community.

All of these things, it seems, create the right environment for a successful outcome in the GATT negotiations with respect to agriculture. So we seem to be moving in the right direction.

Senator LUGAR. I thank you.

The CHAIRMAN. Thank you.

Senator Bond.

Senator BOND. Thank you, Mr. Chairman.

Dr. Wilson, I would like to ask generally your views on research. This may relate more to your current position than to the one for

which you have been nominated; but we have been dealing with research here in this committee, and we have passed some things that we think may be helpful, and I would just like to hear your views on the direction that you think we should be pursuing in agricultural research, any suggestions you may have based on your background in economic analysis, farm programs.

Dr. WILSON. My responsibilities, of course, will be for economic research rather than the research at the farm level.

Senator BOND. I realize that, but if they are not driven by economics, we are in the wrong ball game.

Dr WILSON. In general I would be very, very supportive of continued use of resources to do research in agriculture. If we want to remain competitive in agriculture, I believe we have to continue to provide farmers the tools; and those tools come from research. We are, in fact, on the threshold of some pretty dramatic new discoveries in agriculture, and I believe that, ultimately, those will be good for American agriculture.

Senator BOND. From the economic viewpoint, where do you think the most effective research can be done? We have talked about a wide range of research projects, in emphasizing basic research, emphasizing new food uses—what do you see as likely to be the most beneficial use of our research dollar?

Dr. WILSON. I am a little bit reluctant to say right now, without some more thought about where that research should take place, because whatever one I nominate will make someone else unhappy. So I would rather not say too much without further thought on that, Senator.

Senator BOND. Any other thoughts or ideas on the direction that you would like to see the CCC move?

Dr. WILSON. No. I think the CCC certainly is required by statute to perform certain functions, and to that extent we have to do those things. It would be nice in the long run to see CCC activities reduced somewhat and the marketplace become more of a factor in U.S. agriculture. That, hopefully, is the way that the 1985 farm legislation is moving us. I think ultimately, if we ever get to the point where the U.S. farmers get their income from the marketplace, rather than the Government, we will be better off.

Senator BOND. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Any other questions will be submitted for the record, and we will stand in recess. We thank you, Mr. Wilson, and thank the families for being here, too.

Dr. WILSON. Thank you very much, Mr. Chairman.

[EDITOR'S NOTE. Material from the New York luncheon session is retained in the committee file.]

[Whereupon, at 11:08 a.m., the committee adjourned, subject to call of the Chair.]

[Material submitted for inclusion in the record follows:]

BIOGRAPHICAL INFORMATION

1. Full Name:

Milton J. Hertz

2. Address:

Residence: 1711 Saddle Ridge Court
Vienna, VA 22180

Telephone: 703-281-3312

Office : USDA-ASCS-Room 3086-S
14th & Independence Ave
Washington, D.C. 20250

Telephone: 202-447-3467

3. Date and Place of Birth:

January 19, 1935 in Elgin, North Dakota

4. Marital Status:

Married to Carol Ormiston, housewife

5. Education:

Dickinson State College, Dickinson, North Dakota
B.S., Business Major 1951-1955

University of Colorado - 1957 - Business School
Courses toward a Masters in Business

6. Employment Record:

1955-1957 - Business Teacher, Edgeley, North Dakota
1957-1959 - Business Teacher, Havre, Montana
1960-1983 - Owner and Operator - Hertz Farms, Mott, North Dakota
1978 to Present - President, Hertz Farms, Inc., Mott, North Dakota

7. Military Service:

None

8. Government Service:

Agricultural Stabilization and Conservation Service

November '83 to December '84 - Deputy Administrator,
State and County Operations
January '85 to December '85 - Associate Administrator
January '86 to September '86 - Acting Administrator
October '86 to Present - Administrator

All positions appointed

9. Honors and Awards:

Deans Academic List at Dickinson State College - 1953-1955
Offered fellowship at University of Colorado in 1957, declined
National Outstanding Farmer of America - 1969
Board of Directors, Farm Foundation, 1981-1983

10. Other Memberships:

Fraternity of Outstanding Farmers - President 1977-1979
B.P.O. Elks - Lodge #1137, Dickinson, North Dakota
AF&AM - Mott Lodge #96, Mott, North Dakota

FINANCIAL DATA AND CONFLICT OF INTEREST (PUBLIC)

1. Have you severed all connections with your immediate past private sector employers, business firms, associations, and/or organizations?

   No. Hertz Farms, Inc., as President. Corporation inactive, except for lease income.

   Farmland and farm headquarters leased to other producers.

2. List sources, amounts and dates of all anticipated receipts from deferred income arrangements, stock options, incompleted contracts and other future benefits which you expect to derive from previous business relationships, professional services, firm memberships, former employers, clients, or customers.

   None

3. Do you, or does any partnership or closely held corporation in which you have an interest, own or operate a farm or ranch? (If yes, please give a brief description including location, size and type of operation.)

   Own farmland and grain storage facility - cash leased

4. Have you, or any partnership or closely held corporation in which you have an interest, ever participated in Federal commodity price support programs? (If yes, provide all details including amounts of direct government payments and loans received or forfeited by crop and farm, etc., during the past five years.)

   Yes. As farm operator - 1960-1983
   1983 program participation payments: $50,000
   1983 Payment in Kind: 52,000 bushels of wheat
   1983 crop wheat: 33,033 bushels of wheat placed in loan program. Loan repaid.

5. Have you, or any partnership or closely held corporation in which you have an interest, ever received a direct or guaranteed loan from or cosigned a note to the Farmers Home Administration? (If yes, give details of any such loan activity during the past five years.)

   No

6. Have you, or any partnership or closely held corporation in which you have an interest, ever received payments for crop losses from the Federal Crop Insurance Program? (If yes, give details.)

Yes - 1980 drought - wheat loss on 1,700 acres

7. If confirmed, do you have any plans, commitments, or agreements to pursue outside employment or engage in any business or vocation, with or without compensation, during your service with the government? (If so, explain.)

None

8. Do you have any plans to resume employment, affiliation, or practice with your previous employers, business firms, associations, or organizations after completing government service? (If yes, give details.)

Returning to farm in North Dakota would be an option.

9. Has anyone made a commitment to employ you or retain your services in any capacity after you leave government service? (If yes, please specify.)

No

10. Identify all investments, obligations, liabilities, or other relationships which involve potential conflicts of interest in the position to which you have been nominated.

None

11. If confirmed, explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items.

I have signed an ethics statement required by USDA, recusing myself from farm program participation and involvement in ASCS matters in my home county.

United States Senate

COMMITTEE ON
AGRICULTURE, NUTRITION, AND FORESTRY
WASHINGTON, DC 20510-6000

July 10, 1987

Mr. Milton Hertz
Administrator
Agricultural Stabilization and
Conservation Service
Department of Agriculture
Washington, D. C. 20250

Dear Mr. Hertz:

As I indicated in the hearing on your nomination, there are additional questions which we would like you to answer for the record. These questions are enclosed. I would appreciate your prompt response to them.

Sincerely,

PATRICK LEAHY
Chairman

PJL/jrp

ADDITIONAL QUESTIONS

ISSUE: Payment Limits

BACKGROUND: Definition of "Person" for Farm Program Payment Limits: Current statutes limit the amount of most direct farm program payments to $50,000 annually for one person, with an additional $200,000 annual limit for marketing loans and certain other payments. As recent GAO and Inspector General reports make clear, many farmers facing the limit have reorganized their operations to become more "persons" for payment purposes. GAO estimates that the impact on farm program costs between 1984 and 1989 could be $2.3 billion if present trends continue.

Q: What action has ASCS taken in response to farmer's attempts to circumvent the statutory payment limitation, particularly with respect to the most egregious examples cited in the Inspector General's reports?

Q: How many cases has ASCS pursued on the basis that a producer has engaged in a "scheme or device" to avoid the payment limit? Can this method be used more to prevent producers from circumventing the limit?

Q: Will the draft legislation proposed in USDA's March 1987 report on this issue achieve the objective of a fair and reasonable application of payment limits, without unduly harming legitimate family farm operations?

Q: Under existing legislative authorities, what action can you take that will help achieve the intent of the proposed new legislation?

ISSUE: Wool Program Problems

Background: In August and November 1985, USDA issued amendments to the regulations governing the Mohair and Wool Price Support Programs to "tighten up the eligibility requirements for price support payments". Marketings of mohair and wool by producers to persons not engaged in both buying and selling mohair and wool, grease basis (unprocessed wool) were made ineligible for price support payments. In a response to a letter sent by me and nine colleagues, Under

Secretary Amstutz admitted that this "virtually disqualified for price support all sales of wool."

Q: I have concerns about the administration of the wool program. How is it possible that ASCS could amend the regulations so that they, in the words of Mr. Amstutz's letter to me: "virtually disqualified for price support all sales of wool"?

Q: Do you think it was fair to producers to make changes in this fashion? I can tell you the Vermont producers do not think it was fair.

Q: And what about the payment limitations on which there was no opportunity for public comment until last February? Why wasn't that handled in a more open fashion?

ISSUE: GAO report on losses on loans to foreign countries

Q: Last Friday I received a report from the GAO on the financial statements of the CCC for the years ended September 30, 1986 and 1985. There was a statement in that report which I found most disturbing. The Comptroller General stated: "Our opinion is qualified because the Corporation has not included in its financial statements an allowance for the uncollectable portion of outstanding loans to countries experiencing financial difficulties. **We estimate that cumulative losses as of September 30, 1986 range from $4 to $7 billion on outstanding loans to foreign countries of $14 billion."** I note elsewhere in the report that the estimated losses at the end of FY '85 were in the range of $1.0 to $2.5 billion. What is the reason for this huge increase in uncollectable debt in just one year?

Q: Was the Congress alerted to this severe and rapidly growing problem?

Q: Prior to making these loans were you doing any sort of financial analyses to insure that we were not adding in a substantial way to the perilous debt burden of many third world countries? We have been critical of many banks for their past practices of shoveling out petrodollars to the third world without regard to the ability to repay. Is the U. S. Government guilty of the same practice?

Q: What makes this worse is that we are now fully aware of the third world debt crisis, which the private banks were not in the heyday when they were flush with petrodollars. What excuse do we have for this practice?

Q: I understand that CCC is holding as "accounts receivable" debt of South Vietnam and Cambodia. Does that make financial sense? Can there be the slightest possibility that these debts will be repaid?

Q: In view of the fact that GAO so recommended, why does CCC not establish an allowance for loan losses?

Q: If the answer to the previous question relates to sensitivity of foreign governments, is there any reason that an allowance for loan losses couldn't be established showing a global figure, without naming the countries involved?

ISSUE: Posted County Prices

Q: How often have you changed the differentials used to compute the posted county prices this past year? Why? Do you think you have the system perfected now or do you anticipate several changes in the upcoming year?

ISSUE: Dairy Programs

Q: Section 153 of the Food Security Act of 1985 requires the Commodity Credit Corporation to establish and operate a Dairy Export Incentive Program.

Why didn't departmental regulations permit the bonuses for commercial dairy product exports to be paid in commodity certificates?

Q: How much "flexibility" is given to the exporter in terms of packaging requirements under the Dairy Export Incentive Program?

Q: Concerns have been raised that exports under the commercial portion of the Dairy Export Incentive Program

may not be included as part of commercial use estimates when USDA develops the supply/demand estimate for 1988. Would you explain how these exports will be scored by CCC?

Q: Has the Department made any analysis of what (and how much) dairy products will be available for the various domestic and foreign assistance feeding programs, at the end of the Dairy Termination Program?

Q: It has come to the attention of this committee that there are reported instances whereby a particular producer or producers have been given permission by a state ASCS office to actually build a new dairy facility with their DTP payments and then lease that facility to a non-DTP participant dairy farmer for the production of milk? If this has occurred, what is the justification for paying a DTP participant to leave dairy farming for five years and then turn around and allow the same participant to finance and build (or even possibly own if foreclosure occurs) new milk production facilities with the DTP payment?

Q: Based on the data which ASCS has compiled, are you confident that weekly cattle slaughter, meat purchases, and exports of cattle mandated under the DTP will continue in an orderly and proper fashion? Furthermore, what effect would "sequestration" have on these activities?

ISSUE: Role of CCC Board Members

Q: What is your view of the role that CCC Board members should play with respect to establishing agricultural policy?

Q: As a subordinate to the Secretary and Deputy Secretary, do you believe that you would nevertheless have the opportunity, or the obligation, to exercise an independent role during Board deliberations and voting?

Q: As a Board member would you feel an obligation to familiarize yourself with all issues coming before the Board, even if they were not under your normal bureaucratic responsibility?

ISSUE: Payment Limits

BACKGROUND: Definition of "Person" for Farm Program Payment Limits: Current statutes limit the amount of most direct farm program payments to $50,000 annually for one person, with an additional $200,000 annual limit for marketing loans and certain other payments. As recent GAO and Inspector General reports make clear, many farmers facing the limit have reorganized their operations to become more "persons" for payment purposes. GAO estimates that the impact on farm program costs between 1984 and 1989 could be $2.3 billion if present trends continue.

Q: What action has ASCS taken in response to farmer's attempt to circumvent the statutory payment limitation, particularly with respect to the most egregious examples cited in the Inspector General's reports?

A: To effectively eliminate the most egregious examples cited in the Inspector General's report, Congressional action is needed. Training meetings were conducted to help local ASCS county personnel (including county committees) to better recognize the information that is needed to make proper "person" determinations. Due to the timing and proposal for 1988, ASCS has not taken any action to change or amend current regulations, handbook procedures, or forms.

Q: How many cases has ASCS pursued on the basis that a producer has engaged in a "scheme or device" to avoid the payment limit? Can this method be used more to prevent producers from circumventing the limit?

A: The number of cases is not maintained. However, in 1986 and 1987, several cases have been determined to be a "scheme or device" to evade payment limitation provisions. We do not believe it is a "scheme or device" to "avoid" the limitation, but it is to "evade" the limitation.

Q: Will the draft legislation proposed in USDA's March 1987 report on this issue achieve the objective of a fair and reasonable application of payment limits, without unduly harming legitimate family farm operations?

A: To a large degree, yes. However, it must be recognized that some "legitimate family farm operations" will be harmed or not permitted to take the desired action without being adversely affected by the payment limitation provisions. To not harm "legitimate family farm operations," special Congressional action is needed to exempt such operating from the payment limitation provisions, the same as is now applicable for State land.

Q: Under existing legislative authorities, what action can you take that will help achieve the intent of the proposed new legislation?

A: The existing legislative restrictions will permit the Secretary to implement most of the actions that were proposed. However, the item that is used in most of the cases to "avoid" the limitation is to establish corporations in which no individual (including spouse or minor child) has more than 50 percent interest. This abuse could be eliminated if the attribution rule that was put into effect on December 30, 1971, but prohibited by legislation in the Agriculture and Consumer Protection Act of 1973 and each Farm Bill affecting the payment limitation since that time, could be reinstated. Under the board requirement that the Secretary issue regulations to define a "person" for payment limitation purposes, the following items could be changed to curtail the increase of "persons":

1. Who is considered a separate "person" (individuals, partners, trust, estates, corporations)?

2. Custom farming.

3. Financing.

4. Minor.

5. Actively engaged in farming.

ISSUE: Wool Program Problems

BACKGROUND: In August and November 1985, USDA issued amendments to the regulations governing the Mohair and Wool Price Support Programs to "tighten up the eligibility requirements for price support payments". Marketing of mohair and wool by producers to persons not engaged in both buying and selling mohair and wool, grease basis (unprocessed wool) were made ineligible for price support payments. In a response to a letter sent by me and nine colleagues, Under Secretary Amstutz admitted that this "virtually disqualified for price support all sales of wool."

Q: I have concerns about the administration of the wool program. How is it possible that ASCS could amend the regulations so that they, in the words of Mr. Amstutz's letter to me: "virtually disqualified for price support all sales of wool"?

A: The reason that the ASCS amended the regulations in 1985 was to correct certain program abuses in the wool price support program. These included reports of sales of wool, under certain circumstances, at substantially higher prices than the prices received generally by producers who marketed their wool through normal channels. Normal marketing channels for the marketing of shorn wool has historically been through a marketing agency, such as a cooperative marketing association or order buyer. These marketing agencies and/or order buyers then market the same wool to the industry to be processed. Based on the above, it was determined that a number of sales were made by producers to persons who did not sell wool, grease basis, and that such sales were usually made at prices that was substantially higher than prices received on sales made through such normal channels. The intent of the amended regulations were to tighten up the eligibility requirements for price support payments and to do this we felt that in cases of this nature the eligibility had to be tied to the grease value of the wool and to the way that the wool was marketed. Hence, the regulations were amended in part to state that marketings of wool made by producers to persons who were not engaged in the business of both buying and selling wool, grease basis were not eligible for price support payments. The ASCS did issue in 1985 an interim rule related to the 1985 regulations, of which we received only 1 comment which was favorable.

Q: Do you think it was fair to producers to make changes in this fashion? I can tell you the Vermont producers do not think it was fair.

A: The reason that the 1985 regulations were amended was because it was not the intention of ASCS to make sales by producers to persons such as hobbyists ineligible for price support payments. However, we believe it was fair to make changes in this fashion because the legislative history of the National Wool Act of 1954 shows that its main purpose was to enable domestic wool producers to compete successfully with foreign produced wool, to encourage the rebuilding of sheep herds, and to increase domestic production of wool. Providing price support payments on the full price of sales made at inflated prices (substantially higher than prices received by producers on sales made through normal channels) attributable to specialized marketing techniques does not contribute to this objective.

Q: And what about the payment limitations on which there was no opportunity for public comment until last February? Why wasn't that handled in a more open fashion?

A: We do not believe that the handling of the limitation as done in an unfashionable manner. After it was determined that the 1985 issued regulations were too restrictive the ASCS issued an internal operating directive to benefit producers who would not have been eligible under the 1985 regulations for any price support payments on sales made in 1985 to purchasers not engaged in the business of buying and selling wool on a grease basis. However, since these sales had already taken place it was impossible to make certain producers eligible for incentive payments, because at best the regulations would not have been issued until after producers were paid. The internal operating directive in effect made the intent of the subsequently issued regulations take effect prior to issuance of the actual regulations.

81-878 0 - 88 -- 3

ISSUE: GAO report on losses on loans to foreign countries

Q: Last Friday I received a report from the GAO on the financial statements of the CCC for the years ended September 30, 1986 and 1985. There was a statement in that report which I found most disturbing. The Comptroller General stated: "Our opinion is qualified because the Corporation has not included in its financial statements an allowance for the uncollectible portion of outstanding loans to countries experiencing financial difficulties. We estimate that cumulative losses as of September 30, 1986 range from $4 to $7 billion on outstanding loans to foreign countries of $14 billion." I note elsewhere in the report that the estimated losses at the end of FY '85 were in the range of $1.0 to $2.5 billion. What is the reason for this huge increase in uncollectible debt in just one year?

A: The increase from 1985 to 1986 in uncollectible debt shown in GAO's report is due primarily to a change in GAO's methodology for calculating the estimated losses for 1986. In 1986 GAO used the emerging secondary market for foreign loan debt as an additional source for input into the estimated losses calculation.

Q: Was the Congress alerted to this severe and rapidly growing problem?

A: The increase from 1985 to 1986 in estimated losses shown in GAO's report was not due to the rapid growth of uncollectible debt, but was due to GAO's change in methodology for estimating losses.

Q: Prior to making these loans were you doing any sort of financial analysis to insure that we were not adding in a substantial way to the perilous debt burden of many third world countries? We have been critical of many banks for their past practices of shoveling out petrodollars to the third world without regard to the ability to repay. Is the U.S. Government guilty of the same practice?

A: USDA continually updates its information on the economic conditions of all countries and uses this information prior to announcing lines of credit. Proposed lines of credit are presented to the National Advisory Council (including the Departments of State and Treasury) for approval prior to announcement.

Q: What makes this worse is that we are now fully aware of the third world debt crisis, which the private banks were not in the heyday when they were flush with petrodollars. What excuse do we have for this practice?

A: The majority of the debt GAO determined uncollectible relates to the Title I P.L. 480 Program. This program serves foreign policy objectives as well as assisting with the humanitarian and developmental conditions of each country. These conditions warrant extending credit to third world countries to meet the legislative objectives of the P.L. 480 Program.

GAO report on losses on loans to foreign countries 2

Q: I understand that CCC is holding as "accounts receivable" debt of South Vietnam and Cambodia (Khmer Republic). Does that make financial sense? Can there be the slightest possibility that these debts will be repaid?

A: There is no reasonable expectation that these Public Law 480 debts will be repaid in the foreseeable future. CCC is working with the Departments of State and Treasury to consider action appropriate to these receivables.

Q: In view of the fact that GAO so recommended, why does CCC not establish an allowance for loan losses?

A: This issue has been discussed extensively with GAO officials. This is a highly sensitive issue involving international relations whose ultimate resolution rests with the U.S. Departments of State and Treasury. CCC officials have recommended to GAO that it make its case, from a government-wide perspective, to the Departments of State and Treasury.

Q: If the answer to the previous question relates to sensitivity of foreign governments, is there any reason that an allowance for loan losses couldn't be established showing a global figure, without naming the countries involved?

A: Estimating anticipated losses for foreign debt is at best highly speculative. Public disclosure of such estimates by the U.S. Government, even on a global basis, could have far reaching political and economic ramifications. Publication of a global figure would prompt many inquiries for a breakout by country. This information may be obtained under the Freedom of Information Act. We do not believe the best interests of the United States and debtor countries would be served by this type of exposure.

ISSUE: Posted County Prices

Q: How often have you changed the differentials used to compute the posted county prices this past year? Why? Do you think you have the system perfected now or do you anticipate several changes in the upcoming year:?

A: Individual warehouse differentials and county average differentials are changed from time to time as warranted. If a differential no longer properly reflects the appropriate relationship between the assigned terminal market and the local market over an extended period of time, then CCC is obligated to make an adjustment. The system is dynamic in nature and must be by design if CCC is to properly track and reflect market conditions on a daily basis in approximately 10,000 locations. The elevator and county average differentials are based on yearly averages rather than on daily absolutes and, as such, it is not unusual to have price swings during the year on either side of the actual local market. We, therefore, are reluctant to make frequent changes in the differentials. We do not anticipate having to make major nationwide changes in the structure of the system. We must, however, reserve the right to make minor individual differential adjustments as dictated by substantive changes in the marketing relationships between assigned terminals and local markets.

ISSUE: Dairy Programs

Q: Section 153 of the Food Security Act of 1985 requires the Commodity Credit Corporation to establish and operate a Dairy Export Incentive Program.

Why didn't departmental regulations permit the bonuses for commercial dairy product exports to be paid in commodity certificates?

A: The Dairy Export Incentive Program (DEIP) bonus payments are made in the form of dairy products because CCC expects bonus payments under DEIP to range from 100 to 200 percent of the export sales price of the dairy products. If generic certificates were used as the bonus payment, this would result in relatively large quantities of CCC-owned grain entering the domestic market, and thereby may depress domestic market prices.

Q: How much "flexibility" is given to the exporter in terms of packaging requirements under the Dairy Export Incentive Program?

A: The DEIP restricts dairy products packaging to bulk form because:

--The USDA bonus is paid in dairy products, therefore the products exported from commercial stocks should be consistent with dairy products purchased by CCC to assure removal of the dairy products from the commercial market which CCC would otherwise purchase and store.

--The need to contain program costs--a higher subsidy would be required on consumer packaged products.

--A policy decision that CCC assets should not be used to subsidize the U.S. packaging and processing infrastructure.

Q: Concerns have been raised that exports under the commercial portion of the Dairy Export Incentive Program may not be included as part of commercial use estimates when USDA develops the supply/demand estimate for 1988. Would you explain how these exports will be scored by CCC?

A: The Department will not include quantities of dairy products exported under the commercial portion of the Dairy Export Incentive Program (DEIP) in the "commercial use" category in the supply and utilization tables. Without the DEIP subsidy, such quantities would not be exported, and as long as CCC is removing surplus dairy products from the market, they would be sold as surplus to CCC under the milk price support program and would be part of the surplus removals.

Q: Has the Department made any analysis of what (and how much) dairy products will be available for the various domestic and foreign assistance feeding programs, at the end of the Dairy Termination Program?

A: The Department has attempted to project acquisitions of dairy products at the end of the Dairy Termination Program. However, because of the various authorized and mandated disposition programs contained in the Food Security Act of 1985 and the uncertainty of the intentions of the nonparticipants in the Dairy Termination Program, the quantities and the programs for which they will be available have not been finalized.

Q: It has come to the attention of this committee that there are reported instances whereby a particular producer or producers have been given permission by a state ASCS office to actually build a new dairy facility with their DTP payments and then lease that facility to a non-DTP participant dairy farmer for the production of milk? If this has occurred, what is the justification for paying a DTP participant to leave dairy farming for five years and then turn around and allow the same participant to finance and build (or even possibly own if foreclosure occurs) new milk production facilities with the DTP payment?

A: Legislation authorizing the Dairy Termination Program (DTP) prohibits contracted producers from having any interest in dairy cattle or milk production during the 5-year nonproduction period. We do not feel that ownership of a dairy facility by itself can be determined to be an interest in dairy cattle or in milk production. In addition, ASCS has no authority to tell a contracted producer where he can invest money received under the DTP or that money received under the DTP cannot be invested in the construction of a new dairy facility.

Q: Based on the data which ASCS has compiled, are you confident that weekly cattle slaughter, meat purchases, and exports of cattle mandated under the DTP will continue in an orderly and proper fashion? Furthermore, what effect would "sequestration" have on these activities?

A: Based on the revised slaughter and export intentions report of August 1, 1986 and a survey of cattle remaining to be slaughtered or exported as of June 1, 1987, the cattle slaughter and exports are right on schedule with 177,000 cattle remaining to be slaughtered or exported from June 1 through the end of the program. USDA will continue to purchase red meat throughout the balance of the program which ends August 31. The "sequestration" would not affect the number of cattle contracted for disposal under the dairy termination program and red meat purchases will be completed prior to any future sequestration.

ISSUE: Role of CCC Board Members

Q: What is your view of the role that CCC Board members should play with respect to establishing agricultural policy?

A: The Commodity Credit Corporation (CCC) Charter Act (as amended), Section 9, (a), provides that, "The Management of the Corporation shall be vested in the board of Directors....". As a member of the Board, I would be completely responsive to this requirement by fully participating in the development of Agricultural Policies consistent with CCC's major role in implementing the Agricultural Laws (programs) of the United States.

Q: As a subordinate to the Secretary and Deputy Secretary, do no believe that you would nevertheless have the opportunity, or the obligation, to exercise an independent role during Board deliberations and voting?

A: Yes.

Q: As a Board member would you feel an obligation to familiarize yourself with all issues coming before the Board, even if they were not under your normal bureaucratic responsibility?

A: Yes.

RICHARD G. LUGAR, INDIANA
ROBERT DOLE, KANSAS
JESSE HELMS, NORTH CAROLINA
THAD COCHRAN, MISSISSIPPI
RUDY BOSCHWITZ, MINNESOTA
MITCH MCCONNELL, KENTUCKY
CHRISTOPHER S. "KIT" BOND, MISSOURI
PETE WILSON, CALIFORNIA
DAVID K. KARNES, NEBRASKA

United States Senate
COMMITTEE ON
AGRICULTURE, NUTRITION, AND FORESTRY
WASHINGTON, DC 20510-6000

July 21, 1987

Mr. Milton Hertz
Administrator
Agricultural Stabilization and
Conservation Service
Department of Agriculture
Washington, D. C. 20250

Dear Mr. Hertz:

As was indicated to Mr. Frydenlund, there are some clarifications which we would like you to provide with respect to the responses you provided to our questions for the record. These additional comments and questions are enclosed. I would appreciate your prompt response to them.

Sincerely,

PATRICK LEAHY
Chairman

PJL/jrp

Additional Questions for Mr. Milton Hertz

ISSUE: Wool Program Problems

The answers to the Wool Program questions were not responsive to our concerns. Please answer the following questions:

Q: Does the Wool Act prohibit sales on grease basis to hobbyists and handspinners?

Q: You assert that sales not made through "normal channels" are made at inflated prices due to special marketing techniques. How has the Department determined that the higher prices are due solely to marketing techniques? Isn't it possible that the wool commands a higher price because of its quality?

Q: In your answer to the question about the payment limitation, you begin by saying that "We do not believe that the handling of the limitation as (sic) done in a unfashionable manner." Would you explain how this relates to the question?

Q: Did the Department's actions with regard to the issuance of the 1985 regulations and the issuance of Notice LD-276 meet the requirements of the Administrative Procedure Act? If the 1985 regulations had been implemented, would they have precluded a large class of producers from receiving any price support payments? Could you provide the Department's rationale and authority to deny price support to such a large number of producers of wool? Under what authority may ASCS issue a Notice in its internal handbooks and apply that notice retroactively and as if such notice were issued in accordance with the Administrative Procedure Act?

Q: You state that abuses in the program led to regulatory changes. Please provide me with a list of the instances of fraud and abuse in the wool program in the last three years.

ISSUE: Dairy Programs

Q: The answer to the questions regarding use of DTP payments by producers is not responsive. The original question focussed on the use of DTP monies to build new dairy facilities which are rented to other dairy producers. Isn't such a practice inconsistent both with the intent of the program and the provisions of section 201(d)(3)(A)(iv)(II) of the Agricultural Act of 1949?

United States Department of Agriculture
Agricultural Stabilization and Conservation Service
P.O. Box 2415
Washington, D.C. 20013

July 22, 1987

Honorable Patrick Leahy
Chairman, Committee on Agriculture,
Nutrition, and Forestry
United States Senate
Washington, D.C. 20510-6000

Dear Mr. Chairman:

In response to your July 21 letter regarding answers submitted for the record for my confirmation as a member of the Board of Directors of the Commodity Credit Corporation, I am enclosing the requested clarifications.

Sincerely,

Milt Hertz

Milton Hertz
Administrator

Enclosure

07-22-87

Q. Does the Wool Act prohibit sales on grease basis to hobbyists and handspinners?

A. No.

Q. You assert that sales not made through "normal channels" are made at inflated prices due to special marketing techniques. How has the Department determined that the higher prices are due solely to marketing techniques? Isn't it possible that the wool commands a higher price because of its quality?

A. The sales of wool has historically been through normal trade channels such as a cooperative marketing association or order buyer. These sales of wool are made to woolen mills which want wool that is uniform in color. Most of this "specialized wool" is of off colors which is what makes it unique and wanted by the handspinners and hobbyists. This same wool if sold in the normal channels, would be discounted in price because the fibers would not accept dye uniformly. Many of the producers of this wool freely admit that their sales prices include compensation for such items as their expenses to travel to a craft show, charges for booth space, advertising expenses, shipping, and packaging expenses. The wool commands a higher price because it is unique to the needs of the purchaser not because of its quality.

Q. In your answer to the question about the payment limitation, you begin by saying that "we do not believe that the handling of the limitation as (sic) done in a unfashionable manner." Would you explain how this relates to the question?

A. The original question was "And what about the payment limitations on which there was no opportunity for public comment until last February? Why wasn't that handled in a more open fashion?".

We thought that we were responding to the question although we admit it is difficult to determine exactly the intent of the question. If the question is why didn't we publicly announce the payment limitation in the Federal Register prior to its implementation, then we will try again.

The internal notice limiting the amount of monies received by a producer on which we would pay price support was issued in an attempt to right the results of the amendment of the regulations in 1985. Rather than to deny price support payments to a large number of wool producers, it was determined that we would allow the payments with a limitation on the dollar value on which we would make price support payments. This decision was made because of the time that would be necessary to implement amended regulations.

As was stated in the Comptroller General of the United States letter of April 1, 1987, to you, we admit that the extent of the Notice LD-276 is in conflict with the 1985 revised regulations, because the Notice authorized payments to producers who were not eligible for payments under the regulations published in accordance with the Administrative Procedures Act. The Comptroller General's letter also points out that the Notice's provisions conflicted with formal departmental regulations when the notice was issued. Our alternative would be to rescind the notice and abide by the 1985 regulations which would deny payments to many of these producers.

Q. Did the Department's actions with regard to the issuance of the 1985 regulations and the issuance of Notice LD-276 meet the requirements of the Administrative Procedure Act? If the 1985 regulations had been implemented, would they have precluded a large class of producers from receiving any price support payments? Could you provide the Department's rationale and authority to deny price support to such a large number of producers of wool? Under what authority may ASCS issue a notice in its internal handbooks and apply that notice retroactively and as if such notice were issued in accordance with the Administrative Procedure Act?

A. The issuance of the 1985 regulations do conform to the Administrative Procedure Act. The interim rule amending the Commodity Credit Corporation's price support program for shorn wool, unshorn lambs, and mohair was published in the Federal Register on August 23, 1985. The interim rule provided for a 60-day comment period. Only one comment, in support of this amendment, was received. Notice LD-276 is an ASCS internal operating directive.

If the 1985 regulations had been implemented, they would have precluded a class of producers from receiving any price support payments and as has been stated many times, we did determine that the amended regulations were too restrictive since they effectively disqualified sales of wool solely because they were marketed by a purchaser not engaged in the business of buying and selling grease basis wool. That is the reason that we allowed payments to these producers through Notice LD-276. We agree with the Comptroller General's determination that the Notice does not have the force and effect of law as do the formal regulations governing the wool support program. Our alternative is to enforce the formal regulations and deny program benefits as the regulation provides. However, we feel that this was and is not the intent of the Wool Act.

Again, as the Comptroller General has stated the problem is not with the support price limitation in the Notice, but with the Notice's authorization payments to producers which is in direct conflect the 1985 revisions of the wool support regulations. Notice LD-276 was issued because the 1985 regulations had not been followed and payments were made to wool producers which under the 1985 regulations were not entitled to a wool payment.

Q. You state that abuses in the program led to regulatory changes. Please provide me with a list of the instances of fraud and abuse in the wool program ion the last three years.

A. We do not have available a list of the instances of fraud and abuse in the wool program for the last three years. However, we will provide to you under separate cover the material we reviewed in making our determination that abuses in the wool program were occurring.

Q: The answer to the questions regarding use of DTP payments by producers is not responsive. The original question focused on the use of DTP monies to build new dairy facilities which are rented to other dairy producers. Isn't such a practice inconsistent both with the intent of the program and the provisions of section 201(d) (3) (A) (iv) (II) of the Agricultural Act of 1949?

A: Allowing DTP participants to build or to finance the building of dairy facilities during the participant's five year nonproduction period is not inconsistent with the intent of the program, which is to dispose of a specific herd of dairy cattle and to retire a specific dairy production facility from milk production for five years. Nor does the practice violate section 201(d) (3 (A) (iv) (II) of the Agricultural Act of 1949, which prohibits a participant from acquiring an interest in dairy cattle or in the production of milk, and also prohibits a producer from acquiring, or making available to any person, any milk production capacity of a facility that becomes available because of compliance by a producer with a DTP contract.

We believe a prohibition against allowing a participating entity to provide financing to a dairy operation would exceed the current legislative authority. During development of DTP regulations, it was determined that if a participating entity acting only as a lender was to be considered as having an interest in a dairy operation, then all lending agencies financing dairy operations should also be considered to have an interest, and such agencies would be required to be parties to the DTP contracts of all participating producers to whom they loaned money. It would not be appropriate to differentiate between a participant acting as a lender, and a financial institution each as a commercial bank or Farmers Home Administration.

BIOGRAPHICAL INFORMATION (PUBLIC)

1. Full name (include any former names used).

   Ewen Maclellan Wilson
   (Name Peter Ewen Maclellan Wilson changed to Ewen Maclellan Wilson as part of naturalization proceedings May 15, 1978).

2. Address: List current place of residence and office address(es). List all office and home telephone numbers where you may be reached.

   317 N. Underwood Street
   Falls Church, Virginia 22046
   Tel: (703) 237-8187

   U.S. Department of Agriculture
   Room 227-E Administration Building
   14th & Jefferson Drive, SW
   Washington, DC 20250
   Tel: (202) 447-4164

3. Date and place of birth.

   July 29, 1944
   Nairobi, Kenya

4. Marital Status (include maiden name of wife or husband's name). List spouse's occupation, employer's name and business address(es).

   Married: Kay Maclellan Wilson (NEE: Stephens)
   Teacher Fairfax County Public Schools
   6815 Edsall Road
   Springfield, Virginia 22151

5. Education: List each college and graduate or professional school you have attended, including dates of attendance, degrees received, and dates degrees were granted.

   North Carolina State University; 1970-73; PhD Economics May 1973
   West Virginia University; 1969-70; MS Agricultural Economics Aug. 1970
   University of London (Wye College); 1962-65; B.Sc. Agriculture Aug. 1965

6. Employment Record: List (by year) all business or professional corporations, companies, firms, or other enterprises, partnerships, institutions and organizations, nonprofit or otherwise, including farms, with which you were connected as an officer, director, partner, proprietor, or employee since graduation from college; include a title and brief job description.

3/87-Present	USDA	Acting Assistant Secretary for Economics and Assistant Secretary Designate
6/85-Present	USDA	Deputy Assistant Secretary for Economics

Responsible for direction and oversight of USDA's economics agencies which have a total employment of approximately 2,000 and an annual budget of more than $100 million. Provide policy input and advice to the Secretary and his staff, and other Executive Branch offices. Interact extensively with farm and commodity organizations, agribusiness, the Congress, academic institutions, and the media.

10/77-6/85	American Meat Institute	Vice President; Economics & Statistics

Responsble for economics and statistical activities, including all publications, surveys and reports, and for directing a small staff of analysts. Worked closely with CEO's and top management of many of the nation's meatpacking companies providing economic analysis and statistical services for members. Served as staff coordinator for various industry committees and task forces. Extensive public affairs activities included appearances on national news programs, media tours, industry outlook briefings and serving as a source of economic information about the meat industry.

1/75-9/77	VPI & SU	Assistant Professor and Extension Specialist

Served in extension and research divisions and held the title of Extension Specialist in the Federal-State Cooperative Extension Service. Specialized in livestock marketing and commodity outlook analysis and developed user-friendly computer programs for livestock producers. Worked closely with Virginia farmers and agribusiness.

11/73-11/74	Rhodesia National Farmers Union	Research Fellow at University of Rhodesia

Conducted economic feasibility study of national corn price policy for cattle feeding.

7/70-5/73	N.C. State Univ.	Instructor of Economics (1/73-5/73) and Graduate Research Assistant (7/70-12/72)

Taught economic principles to undergraduates.

1/69-6/70	West VA Univ.	Graduate Research Assistant
10/65-11/68	Ministry of Agriculture, Rhodesia	Conservation and Extension Officer

Responsibile for soil and water conservation and extension activities in prime farming area of Rhodesia. Worked closely with farmer committees, surveyed dams and laid out field contours.

7. Military Service: Have you had any military service? If so, give particulars, including the dates, branch of service, rank or rate, serial number and type of discharge received.

Mandatory service in the Territorials (akin to U.S. military reserves) of the Rhodesian Air Force as an Aircraftsman from January - September 1968. Stationed at New Sarum, Salisbury as an instrument mechanic. Serial number was R9964.

8. Government Service: State (chronologically) your government service or public offices you have held, including the terms of service grade levels and whether such positions were elected or appointed.

6/85-Present	Deputy Assistant Secretary, Acting Assistant Secretary and Assistant Secretary Designate, Non-career ES4, ES5 Appointed
1/75-9/77	Extension Specialist in the Federal-State Cooperative Extension Service
10/65-11/68	Conservation and Extension Officer, Banket and Ayrshire District, Rhodesian Ministry of Agriculture.

9. Honors and Awards: List any scholarships, fellowships, honorary degrees, and honorary society memberships that you received and believe would be of interest to the Committee.

Gamma Sigma Delta, honor society of agriculture

10. Other Memberships: List all organizations to which you belong, excluding religious organizations.

American Agricultural Economic Association (professional)
Sleepy Hollow Recreation Association (swimming/tennis)
Alexandria Conservative Club
Ag Republicans
Reagan Administration Executive Level Presidential Appointees Organization

11. Published Writings: List the titles, publishers, and dates of books, articles, reports, or other published materials (including published speeches) you have written. Please include on this list published materials on which you are listed as the principal editor. It would be helpful to the Committee if you could provide one copy of all published material that may not be readily available. Also, to the maximum extent practicable, please supply a copy of all unpublished speeches you made during the past five years on issues involving agriculture, nutrition, forestry or commodity futures policy or related matters.

A Cost Analysis of Livestock Auction Markets of West Virginia. West Virginia Agr. Exp. Stat. Bulletin 600T, 1971, 36 pp. (Joint author).

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"Welfare and Exchange Rate Effects of the Rhodesian Trade Embargo: An Elasticity Approach." Amer. J. Agr. Econ., Nov 1976. 58(4):721-724. (Joint author).

"A Feedlot Profit Model and Systems Analysis of Beef-Maize Enterprises in Rhodesia." Supplement to Zambezia, (Journal of the University of Rhodesia), 1976, 4(2):35 pp.

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"The Meat Industry in the Year 2000", Proceedings of the Fourth World Meat Congress, International Permanent Meat Office, Madrid, Spain, May 1981.

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The 1985 Farm Bill. American Meat Institute Policy Paper, 1985. (Joint author).

Economics and Statistics Review Panel, Report to Secretary of Agriculture. USDA, Statistical Reporting Service, Jun 1985. (Joint author).

Consumer Demand for Meat: Has it Changed? American Meat Institute Staff Report, Jun 1985.

Agricultural Trade Research and Information Needs: Conditions and Challenges. Amer. Ag. Econ. Assoc. Trade Policy Task Force, 1985. (Joint author).

"Perspective on Agricultural Policy." Lyceum (Journal of the Texas Lyceum Assoc.), Winter 1985, 2(4):5-8.

"Changes in Global Agricultural Policy and the Implications for the EEC." Report and Proceedings of the 40th Oxford Farming Conference, Oxford England, Jan 1986, pp. 43-46.

"Review of Status and Potential Impact of Bovine Growth Hormone." Congressional Hearing. Subcommittee on Livestock, Dairy and Poultry of the Committee on Agriculture, U.S. House of Representatives, 99th Congress, Jun 1986, pp. 9-15.

"Impact of the Milk Production Termination Program on the Red Meat Industry." Congressional Hearing. Subcommittee on Livestock, Dairy and Poultry of the Committee on Agriculture, U.S. House of Representatives, 99th Congress, Apr 1986, pp. 411-422.

Also:
"Outlook Highlights" in various editions, Va. Agr. Econ., 1975-77.

"Weekly Report." American Meat Institute weekly economic bulletin to members, 1977-1980.

Edited:
Agricultural Outlook Issues of Virginia Agricultural Economics, 1975-1977.

Annual Financial Review of the Meat Packing Industry, 1977-83 editions, American Meat Institute.

Meatfacts, 1978-84 editions, American Meat Institute.

12. Health: What is the present state of your health?

Apart from troublesome left knee (arthroscopic surgery performed in 1985), health excellent.

FINANCIAL DATA AND CONFLICT OF INTEREST (PUBLIC)

1. Have you severed all connections with your immediate past private sector employers, business firms, associations, and/or organizations?

   All business connections have been severed.

2. List sources, amounts and dates of all anticipated receipts from deferred income arrangements, stock options, incompleted contracts and other future benefits which you expect to derive from previous business relationships, professional services, firm memberships, former employers, clients, or customers.

   American Meat Institute pension--vested benefit $3,773.84 payable as monthly annuity starting August 1, 2009.

3. Do you, or does any partnership or closely held corporation in which you have an interest, own or operate a farm or ranch? (If yes, please give a brief description including location, size and type of operation.)

   No

4. Have you, or any partnership or closely held corporation in which you have an interest, ever participated in Federal commodity price support programs? (If yes, provide all details including amounts of direct government payments and loans received or forfeited by crop and farm, etc. during the past five years.)

No

5. Have you, or any partnership or closely held corporation in which you have an interest, ever received a direct or guaranteed loan from or cosigned a note to the Farmers Home Administration? (If yes, give details of any such loan activity during the past five years.)

No

6. Have you, or any partnership or closely held corporation in which you have an interest, ever received payments for crop losses from the Federal Crop Insurance program? (If yes, give details.)

No

7. If confirmed, do you have any plans, commitments, or agreements to pursue outside employment or engage in any business or vocation, with or without compensation, during your service with the government? (If so, explain.)

No

8. Do you have any plans to resume employment, affiliation, or practice with your previous employers, business firms, associations, or organization after completing government service? (If yes, give details.)

No

9. Has anyone made a commitment to employ you or retain your services in any capacity after you leave government service? (If yes, please specify.)

No

10. Identify all investments, obligations, liabilities, or other relationships which involve potential conflicts of interest in the position to which you have been nominated.

None to my knowledge.

11. If confirmed, explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items.

Do not anticipate problems.

United States Senate

COMMITTEE ON
AGRICULTURE, NUTRITION, AND FORESTRY
WASHINGTON, DC 20510-6000

June 26, 1987

Dr. Ewen M. Wilson
Assistant Secretary for
Economics Designate
U.S. Department of Agriculture
Washington, D.C. 20250

Dear Dr. Wilson:

It has come to my attention that at some point in late April, 1986, you and several employees of the Department of Agriculture made a trip to New York to the offices of Merrill Lynch Pierce Fenner & Smith, Inc. and held a meeting or meetings with employees and clients of the firm. In the context of your confirmation hearing, I'm requesting the following information:

1. Did such a trip take place, and if it did, on what date?

2. What was the purpose of the trip?

3. Who made the request for the meeting?

4. Who attended the meeting(s) from the U.S. Department of Agriculture?

5. Was your travel and that of other government employees paid for at government expense?

6. What information was discussed at the meeting(s)?

7. Were any special materials prepared for the meeting(s)?

8. Were all of these materials available to the public at that time or made available to the public at some later point?

9. Did anyone from the staff of the World Agricultural Outlook Board attend the meeting(s)?

10. What information was discussed at this meeting(s)?

11. Did you or any USDA employees prepare a memorandum or memoranda concerning what was discussed at the meeting following its conclusion? (If so, please provide the documents to the Committee.)

I would appreciate your prompt reply to these questions.

Sincerely,

PATRICK LEAHY
Chairman

PJL/JP

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

JUN 29 1987

Honorable Patrick Leahy
Chairman
Committee on Agriculture,
Nutrition, and Forestry
Washington, DC 20510-6000

Dear Mr. Chairman:

This is in response to your letter of June 26, 1987 enquiring about an April 1986 trip to New York. The following are answers to each of the 11 questions raised.

1. Did such a trip take place, and if it did, on what date?

   Yes, on Wednesday April 23, 1986. However, the trip was not to the offices of Merrill Lynch, but to a meeting at the Waldorf Astoria Hotel.

2. What was the purpose of the trip?

   To speak at a meeting sponsored by Merrill Lynch titled "Farm Bill in Final Form?" See attached copy of program.

   Our commodity analysts make every effort to "reach out" and work with analysts in the trade. Communication with people in the trade is important for good commodity analysis. Our participation in this meeting, which was attended by a range of agribusiness interests, was intended to demonstrate our willingness to work with the trade. Note that analysts from Archer Daniels Midland, ConAgra and Pillsbury also appeared on the program.

   You may be interested to know that ERS plans to conduct additional regional outlook seminars this year with the objective of strengthening our commodity analysis work. The first was held in Minneapolis, May 22, co-sponsored by the Federal Reserve Bank of Minneapolis. The second is planned for Denver, September 15.

3. Who made the request for the meeting?

   Leonard Teitelbaum, Vice President, Securities Research Division. See attached letter.

4. Who attended the meeting(s) from the U.S. Department of Agriculture?

   Ewen M. Wilson, Deputy Assistant Secretary for Economics
   James R. Donald, Chairperson, World Agricultural Outlook Board
   Pat O'Brien, Deputy Associate Administrator for Outlook & Situation, Economic Research Service

5. Was your travel and that of other government employees paid for at government expense?

   Yes.

6. What information was discussed at the meeting(s)?

   Agricultural and trade outlook, new Farm Bill, commodity programs and outlook.

7. Were any special materials prepared for the meeting(s)?

   Overhead transparencies were prepared from existing available public information. These were used as visuals during the presentations. No materials were handed out. See attached copies of materials.

8. Were all of these materials available to the public at that time or made available to the public at some later point?

   Yes, all materials were available to the public, and were used in the subsequent public presentations. Some were published in USDA's Agricultural Outlook magazine.

9. Did anyone from the staff of the World Agricultural Outlook Board attend the meeting(s)?

   Yes. James R. Donald, Chairperson, WAOB

10. What information was discussed at this meeting(s)?

    See question 6.

11. Did you or any USDA employees prepare a memorandum or memoranda concerning what was discussed at the meeting following its conclusion? (If so, please provide the documents to the Committee.)

    No.

I hope this information is helpful.

Sincerely,

Ewen Wilson

EWEN M. WILSON
Assistant Secretary
for Economics Designate

cc: Chris Hicks, General Counsel

DAVID L. BOREN, OKLAHOMA
HOWELL HEFLIN, ALABAMA
TOM HARKIN, IOWA
KENT CONRAD, NORTH DAKOTA
WENDELL H. FORD, KENTUCKY
THOMAS A. DASCHLE, SOUTH DAKOTA
JOHN B. BREAUX, LOUISIANA

RICHARD G. LUGAR, INDIANA
JESSE HELMS, NORTH CAROLINA
THAD COCHRAN, MISSISSIPPI
RUDY BOSCHWITZ, MINNESOTA
MITCH MCCONNELL, KENTUCKY
PETE WILSON, CALIFORNIA
DAVID KARNES, NEBRASKA

United States Senate

COMMITTEE ON
AGRICULTURE, NUTRITION, AND FORESTRY
WASHINGTON, DC 20510-6000

July 10, 1987

Dr. Ewen Wilson
Deputy Assistant Secretary for Economics
Department of Agriculture
Washington, D.C. 20250

Dear Dr. Wilson:

As I indicated in the hearing on your nomination, there are additional questions which we would like you to answer for the record. These questions are enclosed. I would appreciate your prompt response to them.

Sincerely,

PATRICK LEAHY
Chairman

PJL/jrp

ADDITIONAL QUESTIONS

ISSUE: Data Availability. The Administration is on record as suggesting that U.S. agriculture needs to move more towards market orientation. As I think back on basic economics, one of the lynch-pins of pure competition is the concept of equal knowledge among all players in the market. Yet over the course of the past few years, USDA has substantially cut back on data collection and reporting. Prospective plantings reports, states surveyed for cattle on feed reports and a host of other data sources have been cut back.

Q: How do you anticipate handling your spending on data collection and distribution in the future? Do you believe that all players in the system should have equal access to information?

Q: Doesn't the recent reorganization of the Economic Research Service, which you approved, by upgrading traditional commodity analysis functions signal a downgrading of important non-traditional research areas such as rural development? I find this more disturbing at a time when Congress is demanding more information on these important issues such as community development, rural poverty, farm structure, etc.

Q: What efforts will you make to assure Congress that research on non-commodity issues can be addressed rapidly and in the same depth as traditional commodity supply and demand questions?

ISSUE: Role of CCC Board Members

Q: What is your view of the role that CCC Board members should play with respect to establishing agricultural policy?

Q: As a subordinate to the Secretary and Deputy Secretary, do you believe that you would nevertheless have the opportunity, or the obligation, to exercise an independent role during Board deliberations and voting?

Q: As a Board member would you feel an obligation to familiarize yourself with all issues coming before the Board, even if they were not under your normal bureaucratic responsibility?

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

July 13, 1987

Honorable Patrick Leahy
Chairman
Committee on Agriculture, Nutrition
and Forestry
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

The following are responses to the additional questions pertaining to my nomination received in your letter of July 10.

ISSUE: Data Availability

Q: How do you anticipate handling your spending on data collection and distribution in the future? Do you believe that all players in the system should have equal access to information?

A: As Deputy Assistant Secretary, I was involved with developing the budget requests for USDA's economics agencies for both fiscal years 1987 and 1988. The budget requests for the National Agricultural Statistics Service were:

Fiscal 1987	Change	Fiscal 1988 Request	Change
$57.9 mil.	+3%	$63.0 mil.	+9%

These data reflect the importance I attach to agricultural statistics within the constraint of a tight overall budget. The fiscal 1988 budget is now being reviewed by Congress, and I am hopeful that our request will be approved.

The budget process for fiscal 1989 has been initiated within the Department. We will do our utmost to preserve the basic crop and livestock statistics and we are considering several areas for new funding.

The second part of your question pertains to access to information. In late 1984, I was appointed by Secretary John R. Block to an outside panel to review the statistical and economic reporting procedures of the USDA. In its report to Secretary Block on June 28, 1985, the panel stated:

> "The panel's review reflected a general philosophy that: (1) one of the major roles of the USDA's statistical and analytical efforts is to provide a 'level playing field' for all the market participants; (2) statistical and analytical efforts should place an emphasis on quality over quantity; (3) it is important to maintain good working relationships with those who provide basic data to the USDA; and (4) the importance of timely, accurate information will increase."

As Deputy Assistant Secretary, I worked to implement the specific recommendations of the panel, and I remain committed to this general philosophy, and .

Q: Doesn't the recent reorganization of the Economic Research Service, which you approved, by upgrading traditional commodity analysis functions signal a downgrading of important non-traditional research areas such as rural development? I find this more disturbing at a time when Congress is demanding more information on these important issues such as community development, rural poverty, farm structure, etc.

A: The reorganization was intended to strengthen commodity analysis work and improve research relating to traditional commercial agriculture, but not at the expense of rural development research. Tight budgets make it necessary to focus research priorities and effectively manage our resources in ERS. Currently, we are focusing on the rural development work associated with the rural development initiative announced by Deputy Secretary Myers before the House Subcommittee on Conservation, Credit and Rural Development on May 19. We are also focusing on agricultural labor research needs resulting from the Immigration Reform and Control Act of 1986.

As part of the ERS reorganization, a Farm Sector Financial Analysis branch has been created in the new Agriculture and Rural Economy Division drawing on resources previously located in the old Natural Economics Division. We believe this more properly reflects current priorities and will provide a more accurate picture of the financial condition of rural households.

You may be interested in a presentation I made to the ERS leadership at their annual planning conference. It reflects my thinking on ERS and is attached for your information.

Q: What efforts will you make to assure Congress that research on non-commodity issues can be addressed rapidly and in the same depth as traditional commodity supply and demand questions?

Commodity supply and demand work now is concentrated in the new Commodity Economics Division in ERS and in the World Agricultural Outlook Board. The Commodity Economics Division has 203 full-time staff years. Three other divisions in ERS -- Agriculture and Rural Economy, Agriculture and Trade Analysis, Resources and Technology -- have a total of 468 full-time staff years who work in a broad range of issues pertaining to U.S. agriculture and rural America. I will continue to strongly support the efforts of these three divisions. To quote that great statesman of our profession, Don Paarlberg, USDA's chief economist from 1969 to 1977, "ERS must be the honest mirror to agriculture and rural America."

ISSUE: Role of CCC Board Members

Q: What is your view of the role that CCC Board members should play with respect to establishing agricultural policy?

A: In a broad sense, agricultural policy is determined by statute. However, it is my understanding that the CCC Charter Act, as amended, authorizes the Corporation, among other things, to: support prices of agricultural commodities through loans, purchases, payments, and other operations; make available materials and facilities required in the production and marketing of agricultural commodities; procure agricultural commodities for sale to other Government agencies, foreign governments, and domestic, foreign, or international relief or rehabilitation agencies and to meet domestic requirements; remove and dispose of, or aid in the disposal of, surplus agricultural commodities; and assist in the development of new domestic and foreign markets and marketing facilities for agricultural commodities; and carry out such other operations as Congress may specifically authorize or provide for. Thus CCC Board members have a role to play in managing programs to meet desired policy objectives of export competitiveness, for instance, or restoring health to U.S. agriculture.

Q: As a subordinate to the Secretary and Deputy Secretary, do you believe that you would nevertheless have the opportunity, or the obligation, to exercise an independent role during Board deliberations and voting?

A: The Assistant Secretary for Economics has an obligation to provide economic analysis, and to have an input in the decision making process. I certainly hope that my views as a CCC Board member will count, and have every intention of exercising my independence in a responsible and constructive manner.

Q: As a Board member would you feel an obligation to familiarize yourself with all issues coming before the Board, even if they were not under your normal bureaucratic responsibility?

A: I will make every effort to familiarize myself with the issues coming before the CCC Board. The actions of the CCC have an enormous impact on farmers, agribusiness and rural communities. This places a great responsibility on all Board members, a responsibility I do not be take lightly.

I hope these responses are helpful in evaluating my nomination.

Sincerely,

EWEN M. WILSON
Assistant Secretary
for Economics Designate

Ewen Wilson

ERS/Airlie House conference

April 3, 1987

Thank you for inviting me to be here today. The effort that you have put into this planning exercise during the past two days is important, and I'm delighted that you asked me to be a part of this process.

I want to read something to you from your booklet titled, "The Economic Research Service in 1987."

"The Economic Research Service, an agency of the U.S. Department of Agriculture, produces economic and other social science information as a service to the general public and to aid Congress and the Executive Branch in developing, administering, and evaluating agricultural and rural policies and programs. ERS monitors, analyzes and forecasts U.S. and world agricultural production and demand for production resources, agricultural commodities, and food and fiber products. ERS also measures the costs of and returns to agricultural production and marketing; evaluates economic performance of U.S. agricultural production and marketing; and estimates the effects of Government policies and programs on farmers, rural residents and communities, natural resources, and Americans in general. In addition, ERS produces economic and other social science information about the organization and institutions of the U.S. and world agricultural production and marketing systems, natural resources and rural communities."

There's more. But I shall stop here. There's nothing wrong with this statement per se--ERS does all these things and more--but as a mission statement, it simply fails to do the job. An outsider would have difficulty understanding the basic purpose of ERS from reading it. Worse, it may not provide a clear sense of direction to 1301 New York Avenue--the people within ERS.

A good mission statement should do both these things: convey a clear image to people outside the organization and provide a clear sense of direction to people within. Of course, a mission statement by itself does not guarantee the success of an organization. But a good mission statement provides management with a tool to motivate and direct employees.

I will never forget an executive management training session I attended while working at AMI. The topic of the training was leadership. The basic message was that successful organizations tend to be those in which employees have a clear sense of the mission of the organization--almost a vision of what the organization is about. Good leadership means the ability to foster that vision in such a way that employees develop a commitment to the vision. This is true regardless of whether you are talking about automobile manufacturers, hamburger chains, or government agencies.

Your work over the past two days, and your commitment toward creating a mission statement that works will provide a sense of direction for ERS under the new organization plan.

It would be presumptuous of me to tell you how to write your mission statement. But if I were to attempt to develop an appropriate statement for ERS, it would need to be simple and direct; perhaps something like this, "to provide the public with the best possible set of economic information and statistics pertinent to U.S. agriculture." That great statesman of our profession, Professor Don Paarlberg, said it beautifully: "ERS must be the honest mirror to agriculture and rural America."

How should ERS go about achieving its mission? I believe three things are necessary. The analogy of a three-legged stool is appropriate. The three legs represent three necessary requirements. If any one of the three legs is missing, the stool collapses. Being in the government, let's give these three legs an acronym. How about SPC. Now this doesn't mean socially polite conversation, nor super personal computer. It doesn't even mean sexually promiscuous coed. No, what I had in mind was Service, Professionalism and Communication - SPC.

Let's look at each of these, and remember that without all three, the system is vulnerable to collapse.

First, service. When Secretary Lyng spoke to Agency heads a year ago, he stressed service as the key element of USDA's mission. He noted that most USDA agencies have service as part of their names --- ERS, NASS, EMS are examples. It is central to the ERS mission to serve. If ERS is to

be effective it is important to identify our constituent groups, determine their needs and then service those needs. These are many potential constituent groups, but you cannot be all things to all people. Budgets dictate that you identify certain constituent groups and establish priorities. And while you are about it don't forget to put the Office of the Secretary on the list!

The next leg is professionalism. We may be public servants, but I would hope that we aspire to be the best professionally as well. There should be no place for mediocrity or for those who simply do enough to get by. Nor should ERS be a place for the pure academician who finds a GS salary appealing while pursuing his or her scholarly bents. Those professionals who have chosen public service must recognize their responsibility to the public in the true professional sense of the word. We must work together to seek the best people in our profession and we must provide opportunities for professional excellence in the context of service to the public.

My third leg is communication. Without good communications skills, service and professionalism are worthless. I suspect I have achieved some notoriety as a stickler when it comes to communicating with charts and visuals. I do not apologize for this. Nor do I have much time -- literally -- for "briefing" papers, that are not brief. Some of you are aware that the recent macro briefing for the Secretary became an exercise in chart revision. The first set of charts might have been understood by

Bob Thompson. Maybe. But we worked together and the last version was simple, clear and understandable. It conveyed a clear and effective message to the top public officials in the Department. I have received many favorable comments on this. ERS was made to look good.

More is not necessarily better. When my staff requests information for the Secretary, a reporter or a Congressman, we need a straightforward, easy-to-understand response, not volumes of statistics or pages from technical publications. Remember that few of those requesting information have had more than Econ. 101. Think not only of the request, think of who made it and how the information will be used. Then think of how to communicate ideas in the most direct and simple way. You'll have nearly usable information by then.

Simple is best. Period. I truly believe that this goes not only for the layman but also for our colleagues at the AAEA meetings. Do you really need all that technical jargon and complicated graphics to make the point? How much do you really get out of those technical sessions that seem to pervade our professional gatherings. I would submit to you that the best place to start simplifying economics communication is within our own community. Is it clear? Is it simple? Will a layperson understand it? Will the policymakers be able to use it as is? These are the questions on which to hang communication.

Let's talk for a few minutes about the ERS reorganization. If I was a farmer from Kansas who called in during the past year for information about wheat, I would have ended up with a lesson in governance by acronym. I'd have been told to get domestic outlook from NED, international outlook from IED, and perhaps other information from NRED. It makes no sense! I am not in favor of reorganization for the sake of it, but I do believe that ERS can better serve her clientele by organizing outlook work on commodity lines.

You know I share your commitment to reorganization, and I think some great things will come out of this reshaping of the agency. You have adopted names that convey a much clearer image of your identity; names that truly seem to grasp the vital mission of ERS and its people -- the Commodity Economics Division (CED), the Agriculture & Trade Analysis Division (ATAD), Agriculture & Rural Economy Division (ARED), and Resource & Technology Division (RTD). It is notable that National Agricultural Statitics Service (NASS) went from SRS to NASS and CRB to the Agricultural Statistics Board - both more reflective of mission.

As Division Directors and leaders of the organization you will have to be sensitive to the concerns and perceptions of your staff. It is human nature, but so often people perceive change as threat. I urge you to be sensitive to that fear; it can be pernicious and damaging to the organization. Make sure everyone knows she or he is part of a team, a

team that is changing and growing in stature; one which has an exciting future. The challenge is to persuade your people that change offers opportunities for professional growth. This is a challenge for you as managers.

I saved a piece from the February 8, Washington Post which is quite applicable to us today. Eugene Jennings, a professor at Michigan State University who studies executive and corporate behavior was quoted in an excellent piece on management. Describing the criteria that separate managers from employees, he said:

> "The crucial turning point in careers is whether an executive with five or six subordinates is able to foresake the idea that he or she has to be the most expert technician or functionary and can become a manager instead."

As Jennings warns, those who cannot switch from being technicians to being managers, often failing to delegate properly and failing to develop competent subordinates, are those who have difficulty making the transition to management.

I say this to you not be be provocative but in an attempt to make you think about your role in the ERS reorganization. For the reorganization to work it is important that you accept the role of managers and that you work to convey the idea of the ERS mission to your subordinates.

If you are like me you will find yourself frustrated at times that you cannot be more involved in technical issues. As professionals you find it difficult to let others do things that you would do differently, and dare I say it --- better? But I must appeal to you to focus your efforts on team building -- on making the ERS reorganization work. Trust your instincts and delegate.

I am sure that you will find -- just as I have found -- that ERS abounds with talented and dedicated people. This is really the note that I want to conclude on. The list of ERS accomplishments is long. The staff reports, the letters, the reports, speeches, testimony and on and on. If I tried to list all the things you have done over the past year I would not know where to stop.

Let me say simply that I do appreciate the efforts and express to you my commitment to your reorganization and to help make ERS work even better in the years ahead. I will continue to support you and I hope you will support me.

NATIONAL PORK
Producers Council

WASHINGTON OFFICE
1015 FIFTEENTH STREET, N.W., SUITE 402, WASHINGTON, D.C. 20005
PHONE: 202-789-5606

May 12, 1987

The Honorable Patrick J. Leahy
Chairman
Committee on Ariculture, Nutrition and Forestry
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman:

The National Pork Producers Council is pleased that the President has nominated Ewen M. Wilson for the position of Assistant Secretary of Agriculture for Economics. On behalf of our 100,000 producer members and their families, we urge your favorable consideration of Mr. Wilson's nomination.

Mr. Wilson's qualifications are certainly unique--his academic credentials are complemented by practical experience in farming and administrative experience with the Department of Agriculture.

He has a B.S. in Agriculture from the University of London, an M.S. in Agricultural Economics from West Virginia University, and a Ph.D. in Economics from North Carolina State University. He was an Assistant Professor in the Department of Agricultural Economics at Virginia Polytechnic Institute and State University, and an instructor of economics at North Carolina State University.

His lifelong career in agriculture that started on the family farm, has taken him everywhere from being an assistant manager of a wheat, barley, cattle, and sheep farm in his native Kenya, to a position as a conservation and extension officer in the Rhodesian Ministry of Agriculture, to the vice presidency of the American Meat Institute.

Since June 1985, he has served as Deputy Assistant Secretary for Economics at USDA. In that capacity, his experience working with Congress, managing a $100 million budget, and supervising 2,000 USDA employees has given him the ability to understand the diverse needs of America's farmers as served through government.

His excellent work at USDA, together with his many previous experiences, make him an excellent nominee. Thank you for your consideration.

Respectfully yours,

Tom Miller

Tom Miller
President

NATIONAL HEADQUARTERS: P.O. BOX 10383 ■ DES MOINES, IOWA 50306 ■ PHONE: 515-223-2600

ASA Washington Office
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WASHINGTON, D.C. 20024-2520
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JUN 25 1987

The Honorable Patrick Leahy
Chairman
Committee on Agriculture,
Nutrition and Forestry
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

The American Soybean Association would like to take this opportunity to endorse the nomination of Mr. Ewen Wilson for the position of Assistant Secretary for Economics at the U.S. Department of Agriculture (USDA). It is our understanding that Mr. Wilson's confirmation hearing is scheduled soon before the Senate Agriculture Committee.

The position of Assistant Secretary for Economics carries with it an extremely important and vital responsibility to develop and promote effective policy objectives for U.S. agriculture. Mr. Wilson's expertise in agricultural economics is the result of highly reputable experience in acaudemia, the livestock industry, and USDA.

Given the complex and serious challenges facing U.S. agriculture, it is especially important that the new Assistant Secretary for Economics be able to immediately begin to work at a level of maximum effectiveness. Having considered Mr. Wilson's professional credentials and his proven management experience at the Department, the American Soybean Association believes that Mr. Wilson superbly meets this criterion.

During his tenure as Deputy Assistant Secretary for Economics at the Department, Mr. Wilson has also earned the solid respect of the agricultural community for his leadership.

The American Soybean Association is pleased to endorse Mr. Wilson for the position of Assistant Secretary for Economics at the U.S. Department of Agriculture. We hope that after thorough evaluation of his credentials, your Committee will confirm his nomination.

Sincerely,

Dave Haggard

Dave Haggard
President

81-878 (75)